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The Atlantic

JAMES FALLOWS ON KOREA / PHILIP LANGDON ON AUTOMATED HOUSES

THE MORNING AFTER

BY PETER G. PETERSON

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TO A PAINFUL NEW ECONOMIC
REALITY, FOLLOWING THE
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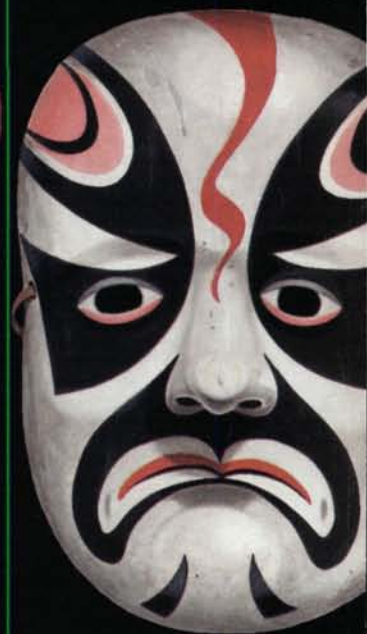
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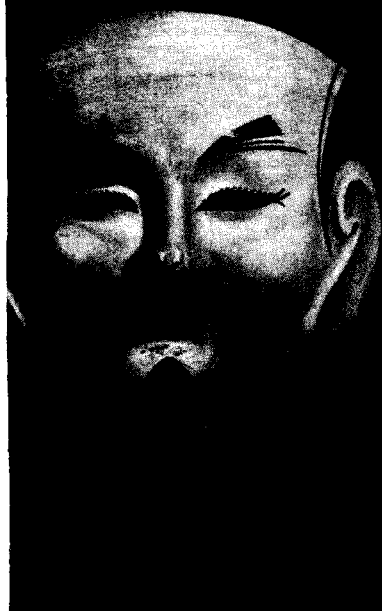


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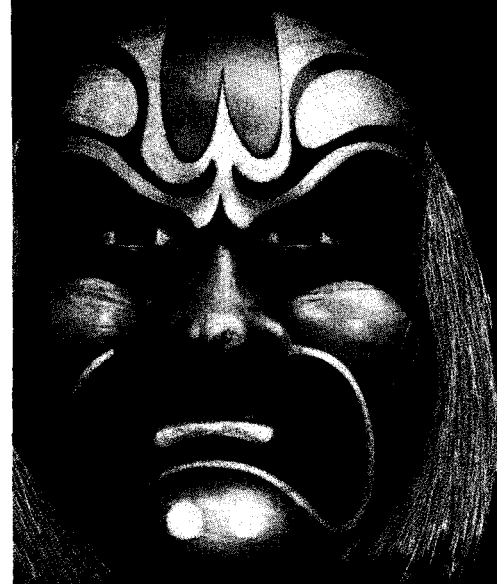
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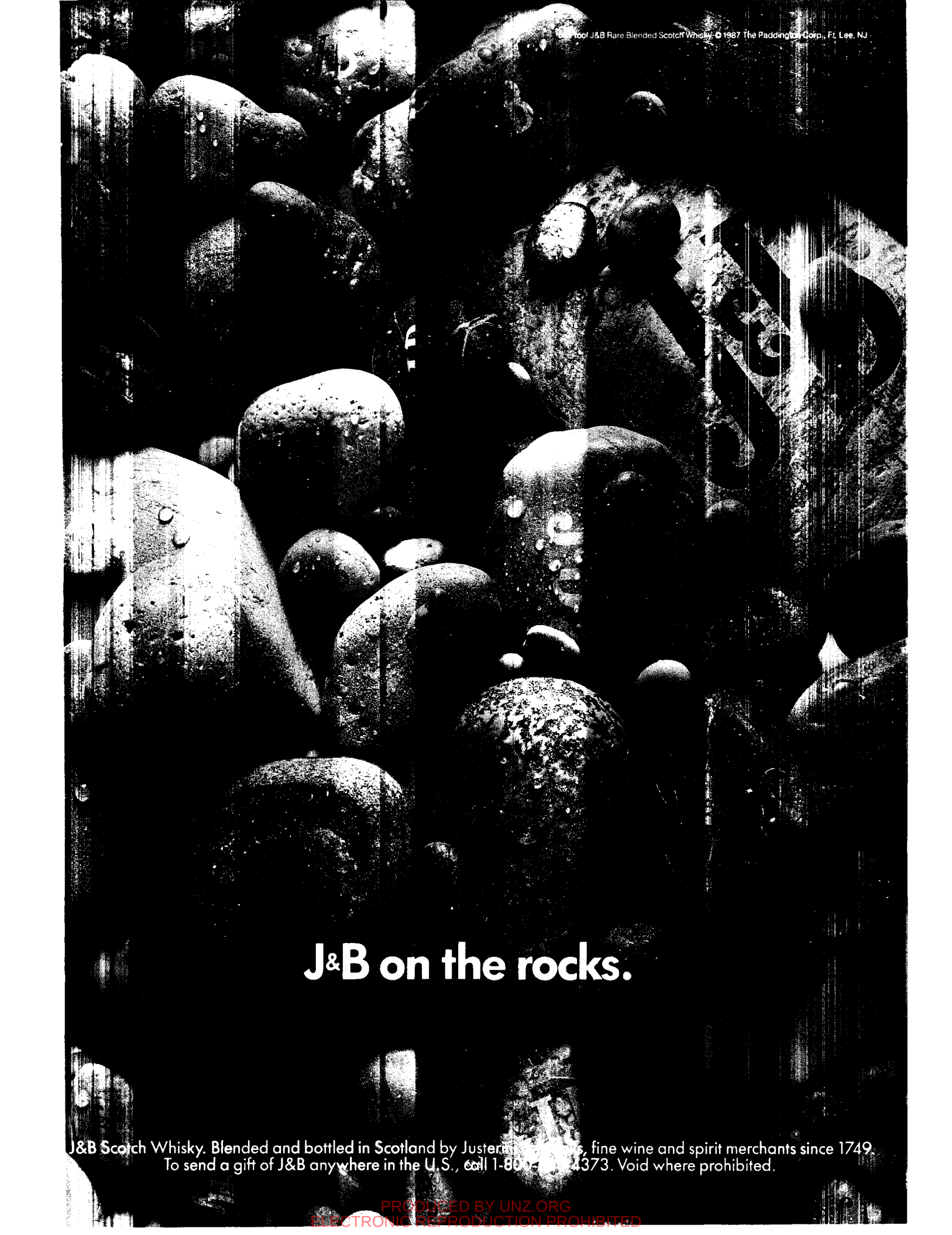
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LETTERS TO THE EDITOR

SAVING NATIONAL PARKS

I agree with Alston Chase ("How to Save Our National Parks," July *Atlantic*) that the parks are in critical condition and that the National Park Service needs to change management policies. However, Chase downplays or ignores two critical problems in the NPS: lack of funding and interference from private and political interests.

Chase criticizes the Service for neglecting resource management and for allocating such a small percentage of its budget for resource protection. He claims that this policy is deliberate and not due to lack of funds. The truth is that the NPS has never been adequately funded in any budget area. Huge numbers of people visit the parks each year, placing enormous stresses on the environment as well as on park facilities and staff. The NPS estimated a \$3 billion backlog for maintenance and construction as long ago as 1977. The budget authority that year was \$295 million. From 1979 to 1981 the budget for Yellowstone hovered around \$9 million, while visitor numbers increased by 25 percent. Many parks are simply overused and understaffed. In allocating scarce monetary resources, the Park Service is forced to neglect resource protection by necessity. The lion's share of appropriations goes to visitor safety and protection, because that is where the money is most urgently needed—in trying to keep pace with visitor use. But funds are inadequate in those areas as well. There simply are not enough funds to do all that needs to be done; it is not a matter of redistributing the wealth and allocating more to resource protection, as Chase suggests.

The Park Service did not decide on its own to encourage development and recreational use. Rather, the decision was made early on to rely on private companies to provide facilities and services. The profit motive led to the construction of hotels, tennis courts, golf courses, and gas stations in the parks. Such facilities are not only aesthetically inappropriate for lands set aside for protection but arguably encourage visitor use in numbers exceeding what park staff can manage. They remain in private hands because the Park Service cannot afford to buy back the busi-

nesses, lacking sufficient political and financial backing.

Many facilities, especially in the larger parks, are owned by corporations like MCA and TWA Services, and park concessionaires wield considerable interest in Congress. In 1976 oversight hearings on concessions policies, Congress heard testimony from ten concessionaires, one U.S. senator, and Park Service staff—not a very broad sampling of interests. The National Parks and Conservation Association has repeatedly charged that concessionaires have influenced policy and the hiring and firing of park staff.

Chase does not adequately examine political interference in the Park Service. The Service had five different directors from 1974 to 1981; little wonder that it lacks a coherent sense of purpose. At least one director, William Whalen, was forced to resign, according to the NPCA, because he tried to strengthen public control over concessionaires. James Watt, then the Secretary of the Interior, told a conference of national-park concessionaires, "Don't be hung up on protocol. If a personality is giving you a problem, [we'll] get rid of the problem or the personality, whichever is faster."

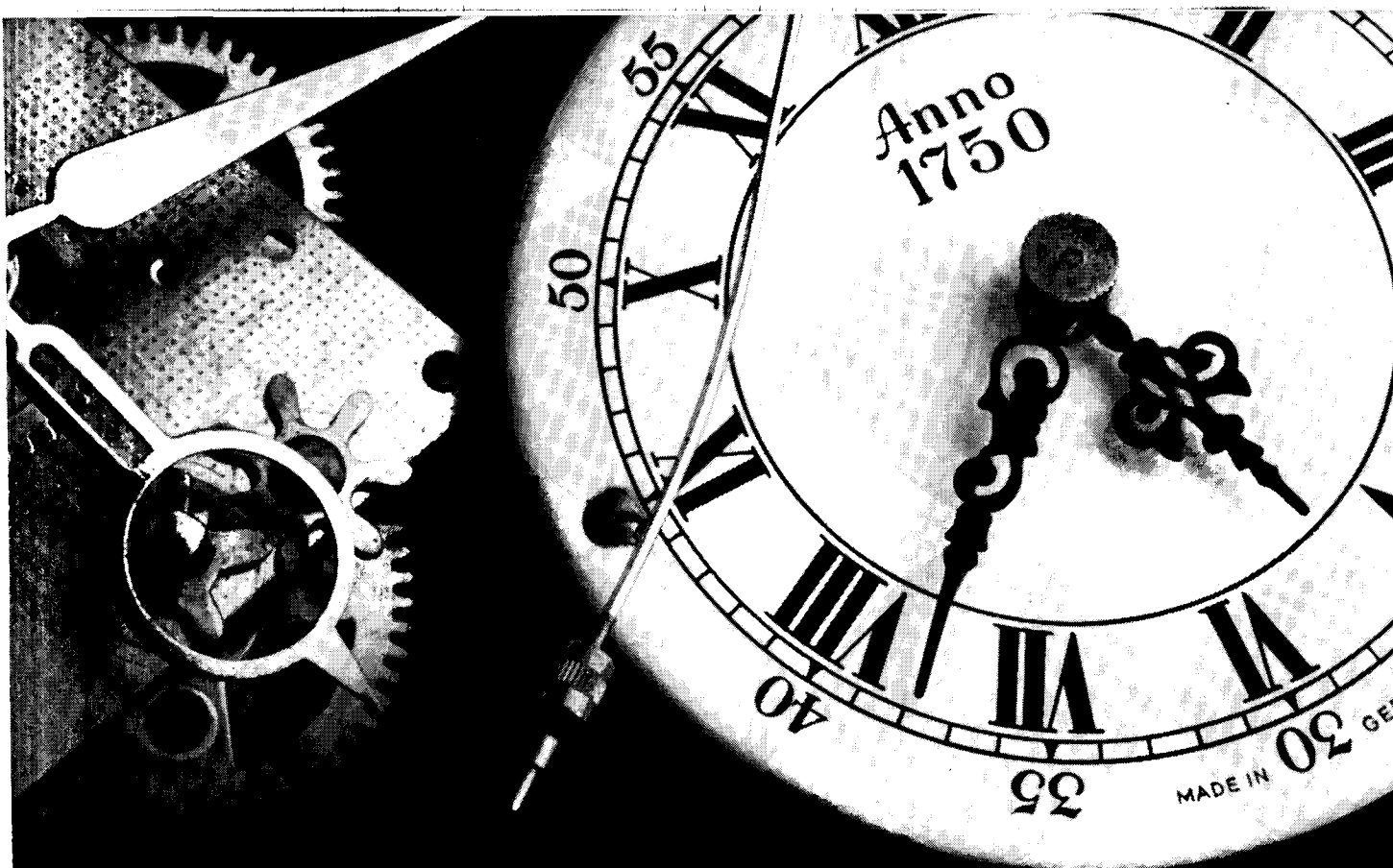
The park system needs constant attention, not periodic bursts of concern and activity to restore the land. That means constant public awareness and involvement, careful planning and management, and the funding to make that possible. People have to let Congress know that is what they want.

SARA HUBNER
Dover, N.H.

The status of our national parks is approaching that of a national embarrassment—a monument to egocentrism, greed, and shortsightedness.

As Alston Chase observes, the National Park Service has in the recent past been so consumed by its role of serving park visitors that it has often neglected the needs of the wildlife that constitutes the parks' permanent residents. Wildlife cannot speak for itself, and thus we bear a special responsibility in caring for its welfare. Park visitors can protect their rights by filing lawsuits; grizzly bears, for all their ferocity, cannot.

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I fear that some of Alston Chase's proposals will do more to retard national-park management than to help it. He has, for example, more faith in the depth and decisiveness of academics than I do. Too many cops and too few scientists may be prowling our national parks, but I'm as leery of turning our parks into private preserves for Ph.D.s doing redundant research as I am of seeing the parks ruled by men whose badges are often bigger than their brains.

GEORGE REIGER
Conservation Editor
Field and Stream
New York, N.Y.

Alston Chase argues convincingly for ecological restoration, as opposed to simple protection. It is surprising, in this regard, that the author did not cite the case of Redwood National Park. Nowhere is the success of thoughtful intervention and ecological restoration so dramatically evident as in this northern California park.

In 1978 the Park Service inherited, in addition to the few primeval groves of

redwoods along Redwood Creek, a devastated and denuded landscape in the adjoining tributary watersheds. Timber-harvesting operations in the area had resulted in deranged streams choked with sediment and slopes crisscrossed by literally thousands of miles of haul roads and tractor-skid trails.

The Park Service mounted a carefully orchestrated and effective rehabilitation effort in these lands, including biotechnical erosion-control and slope-repair methods and a vegetation-management program. Now, some ten years later, the scars are healing and the slopes above Redwood Creek are returning to a semblance of their former grandeur, thanks to skillful human intervention.

DONALD H. GRAY
Ann Arbor, Mich.

AIDS DANGERS

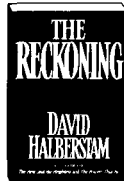
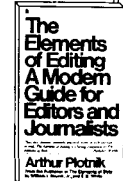
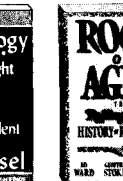
The message of Katie Leishman's article "Heterosexuals and AIDS: The Second Stage of the Epidemic" (February *Atlantic*) appeared to be that the situation is drastic, education is the only

possible solution, and education won't work. In effect, the article sensationalized the topic by overstating the current threat to the non-IV-drug-using heterosexual population and then left the reader with the impression that nothing could be done. Although we don't yet know, definitively, what kinds of education will work, we do have evidence that behavior changed in the gay community once gays understood the nature of the danger. The San Francisco cohort studies, for example, are now showing no seroconversions.

Many questions might be posed as to the accuracy and the interpretation of the data Leishman presents. Certainly some people will likely behave "irrationally" in the face of known risk. But Leishman bases most of her argument on questionable interpretation of data and on anecdotal information that is interesting but inconclusive.

For example, many of the studies showing viral transmission between hemophiliacs or IV-drug users and their sexual partners were done prior to the time that heterosexual transmission was well documented or were retrospective

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studies based on behavior prior to that documentation. Leishman concludes that the failure to take precautions demonstrates irrationality. However, if the couples did not understand that the virus was heterosexually transmissible (and a number of popular-media articles insisted that the only real threat came from anal intercourse), they were unlikely to take what are now seen as appropriate precautions.

Fischl's Florida study, which is discussed in the article, was not a study on the effects of education, and the article written about that study does not make clear what kind of education was provided over the several years that the subjects were followed. The results demonstrate something about transmission but nothing about education and its effectiveness.

The fact that seropositive women are becoming pregnant is seen as further evidence that people are irrational and that transmission cannot be slowed. The probability of transmitting HIV to infants is not clear, but it is not 100 percent and may be around 50 percent. Although your author and many physicians

believe that that risk should not be taken, that is a value judgment. People get very strong-minded about having or not having children, as evidenced by the constitutional protections around reproductive rights. A different kind of error is presented by the statement that heterosexual transmission has increased "by over 200 percent in the past year." During 1986 the Centers for Disease Control moved the "Haitian" group into the "heterosexual-transmission" group. That resulted in the category's numbers doubling overnight, but not because the incidence of heterosexual transmission had doubled. "Heterosexual-transmission" figures included only those people who were known to have had sexual contact with someone in a high-risk group. For the rest of the heterosexual population the relevant category is "no known risk," which is primarily composed of those who died before interview about risk was possible or who refused to be interviewed. It also includes a small number of people for whom the risk of transmission is simply not known, despite interview.

Leishman's unhappiness that con-

doms are not 100 percent effective is equally ill considered. She seems to want a world in which there are no risks at all. The *extent* of risk is crucial, and every day we all consider how much risk we are willing to take in our activities. The risk of contracting HIV is significantly reduced if condoms are used in non-monogamous sex, just as the risk is reduced if seat belts are used when driving; in neither case, however, can we promise no risk at all.

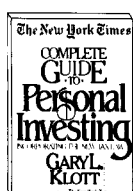
Finally, we should probably not fault condoms because they "are only going to slow the epidemic down." We might want it stopped, but we can't stop it entirely now. We can only hope to slow the transmission rate. Many people believe that in the absence of a vaccine AIDS will become endemic in the population, just as hepatitis B and other viral and bacterial agents are endemic. To imply that it can be eliminated from the scene in the short term may set the stage for further tragedy. The problem from a social perspective is not how to *defeat* the virus (this is not a war, even if many in the media like to talk about it that way). The problem is how to live successfully

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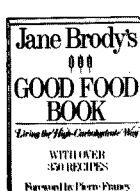
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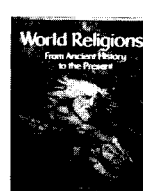


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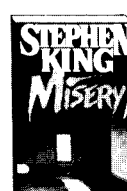
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with the virus among us: how to cope, not how to win.

JUDITH WILSON ROSS
UCLA AIDS/Ethics Study Group
Los Angeles, Calif.

Katie Leishman replies:

The CDC's report of a doubling of heterosexual-transmission cases in 1986 in fact *excluded* the reclassified Haitian cases. Ms. Ross's figures about seroconversion are erroneous. She does not specify which San Francisco study she has in mind, but not a single one is "now showing no seroconversion." Moreover, it may be that any decline in seroconversion rates has as much to do with the dwindling number of uninfected people as it does with any effects of education. As for studies of viral transmission, all of those I reviewed for the article included people who were aware of a potential risk and chose to ignore it.

I certainly am "unhappy" that condoms are not 100 percent effective, but I do not "fault condoms," whatever that means. I did not suggest that the Fischl study had anything to do with education any more than I suggested that all people are irrational. I do, however, consider conceiving a child when there is a 50 percent chance of transmitting the AIDS virus to be irrational. Ms. Ross obviously disagrees. As for any overstatement of the threat to the heterosexual population, it is worth noting that in a recent study in one San Francisco Bay-area county one out of every 200 women at a premarital clinic was carrying the AIDS virus. The study's author estimates that the rate would be even higher in San Francisco itself.

I am concerned about Ms. Ross's attempts to make the situation sound less dangerous. She says that the problem is not how to defeat this virus but how to cope with it. No, the problem is how to defeat it, because to cope with it is usually to die of it or not get it, which involves, although Ms. Ross doesn't like the word, controlling it. She projects an innocuous-sounding scenario in which the virus will "become endemic in the population" like hepatitis B and other agents—which, however, are not associated with invariably fatal diseases.

As I wrote, no one can quantify the risk of transmission in the population at large. But whether it is one in ten or one in 10,000 for a single encounter, I am tired of people saying that all life is risk.

I have a question for Ms. Ross's study group: If someone showed you 10,000

guns and said that only one was loaded, would you pick one up and fire it at your temple if the prize were a toaster?

REPUBLICANS IN 1988

William Schneider's article "The Republicans in '88" (July *Atlantic*), in referring to Jack Kemp as a "nine-term congressman from Buffalo," perpetuates an error frequently made by political analysts concerning Congressman Kemp's alleged appeal to union, blue-collar, minority, and other traditionally Democratic voters.

New York's 33rd Congressional District, containing the entire city of Buffalo, has been represented since 1974 by Henry Nowak, a Democrat. Mr. Kemp's 31st District, which lies entirely outside Buffalo, is mostly suburban and white-collar (with a few rural Republican areas) and is home to very few of the struggling industrial concerns that have employed generations of Buffalo workers.

WILLIAM SKEELS
Richmond, Va.

William Schneider, in his article about the Republican presidential candidates, says that George Bush spoke to Gary Hart on the floor of the Senate the day after Hart's dramatic New Hampshire victory.

The day after the primary Senator Hart held a press conference in New Hampshire, was driven to Boston, and flew to Colorado, where he spent the night in the condominium he then owned in Denver. Further, to the best of my memory, Hart spent little or no time in Washington between the New Hampshire primary and the Maine caucuses on the following Saturday.

CLAYTON E. SMITH
Clayton, Calif.

William Schneider's articles on the forthcoming presidential campaign have been informative and insightful. But I could not help but notice that throughout his piece on the Republican candidates he scrupulously gave credit to *The Washington Post*, *The New York Times*, and *Newsweek* for quotations that originally appeared in those publications. Why did he not give equal credit for quotations that originally appeared in *Time*?

JACK E. WHITE
Time magazine
New York, N.Y.

William Schneider replies:

Congressman Kemp represented portions of the city of Buffalo for ten years. Here is the way his district was described by the *Almanac of American Politics*, 1980: "Much of the district is working class Democratic, particularly the suburbs closest to the Buffalo City limits. . . . Overall it is one of the more marginal districts in upstate New York." His office confirms that Representative Kemp usually refers to himself as a congressman from Buffalo.

My statement that George Bush spoke to Gary Hart on the floor of the Senate the day after Hart's victory in New Hampshire was verified by two aides in Senator Hart's office.

Jack White is correct. I did use, and properly identified as quotations, material taken from *Time* magazine. My failure to identify the source was an oversight, for which I apologize.

SCRABBLE SCORES

Barry Chamish ("Masters of the Tiles," June *Atlantic*) says, "The British play a perverse game [of Scrabble] that is almost cooperative in nature. . . ."

There's nothing perverse about it. The principle behind the British national tournament is to maximize the total score of each game, regardless of which player has the higher score, in an attempt to perfect the play with that particular drawing sequence of tiles. Winning is achieved by total score over three games, so, theoretically, one could lose all three games and still win a tournament. Obviously, open board play is a basic premise. Chamish even acknowledges that "top players hate it when their hard memory work goes for naught, and they tend to play wide-open, aggressive Scrabble. . . ."

As for the adamant refusal of the British to accept the *Official Scrabble Player's Dictionary*, British tournaments used the Oxford shorter dictionary before there was an *OSPD*, and then switched to the *Chambers Twentieth Century Dictionary*—a standard literary dictionary.

Finally, the highest-scoring Scrabble-puzzle game I'm aware of totaled 3,881 points (by Ron Jerome, using the British dictionary standard). It included the word *psychoanalyzing*, which was worth a staggering 1,539 points.

ALAN RICHTER
1976 British national Scrabble champion
New York, N.Y.

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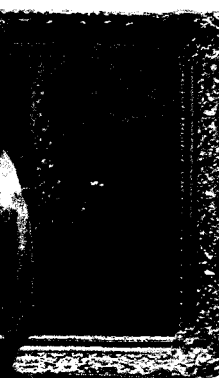
When you come in and browse at Christie's, remember one thing: if you fall in love with a work of art, you can buy it.

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In the past year, for example, bidders at Christie's auctions bought a Chippendale desk and bookcase for \$16,500, a sculpture by Gauguin for \$8,250 and a ruby and diamond brooch for \$49,700.

Between September and June, there's a new exhibit at Christie's virtually every week: viewings are open to the public at no charge.

For information about Christie's current auction schedule, call Auctionline at 212/371-5438. To arrange an appointment to discuss buying specific works of art, call Susan Rolfe or Heidi Kucker, Christie's Special Client Services, at 212/546-1126.



Barry Chamish mentions a recent contest to find the highest score on a Scrabble turn, which was won by an entry of 613 points. I feel duty-bound to report additional research on the subject.

C O W L I C K
A E
T R I P L A S
I D L E
W R E M U
A O A
S N L O
T I M E F A
E T I
D E P R I V E
O S I
B E
A T I
T A N
M A H J O N G

A player with the letters S, Q, I, X, D, Z, and G on his rack could make *sesquioxidizing* down the column at the far right. He would cover three triple-word spaces, and thus his 62-point score would be multiplied by 27. Add in the 167 points from the horizontal words formed (*cowlicks*, *ai*, *fax*, *deprived*, and *mahjongg*) and the 50-point bonus for using all seven tiles, and you get a score of 1,891.

JOHN M. TIERNEY
New York, N.Y.

HEMINGWAY BIOGRAPHY

After reading Benjamin DeMott's review of Kenneth Lynn's new biography of Ernest Hemingway ("Papa's Mama Trouble," July *Atlantic*), I had to wonder if the reviewer had read the same book that I did. Although DeMott is not entirely blind to the book's many achievements, especially its scrupulous accounting of Hemingway's faults and virtues, he does not mention the uncommon artistry with which the book was written, nor does he include a single example of the book's most striking feature—its rich and startlingly new readings of Hemingway's work, informed by Lynn's fresh insights into his subject's tangled psyche. Instead DeMott makes it sound as if Lynn were hell-bent on demeaning his subject, asserting that the book has a derisive "undervoice, which murmurs almost ceaselessly, *We have found you* [Hemingway] *out*."

Well, "undervoices" are notoriously hard to document, and DeMott does not

bother to do so. I think it more likely that the sound he heard was the grinding of his own hatchet. One example from the review will suffice. In the matter of *The Garden of Eden*, DeMott cites Lynn's claim, on page 10, that the book's "transsexual fantasies" should cause us to recognize that Hemingway "was not the writer, nor the man, he was thought to be." DeMott offers these words plucked from Lynn's preface as evidence that Lynn thinks Hemingway is "less" (DeMott's word) of an artist than he has been thought to be. But a reading of the entire passage shows how shamelessly DeMott has wrenched Lynn's words out of context:

For the transsexual fantasies that inform *The Garden of Eden* have compelled reluctant recognition of the possibility that [Hemingway] was not the writer, nor the man, he was thought to be, and that he has been misread and misinterpreted by enthusiasts and detractors alike. Cautious reviewers suggested that the book exposed a new sensibility in the author. In fact, that sensibility had been there all along. From the very first, his best work was infused by more sensitive and complicated feelings about himself and the world than the stereotypes of Hemingway criticism have ever allowed.

Your readers may judge for themselves whether this is the voice of a "derisive" and "tendentious" critic, intent upon mocking his subject—or whether those adjectives may not be better applied to the reviewer himself. The readers of *The Atlantic*, it seems to me, have a right to expect a good deal more from its pages than unsupported put-downs of imaginary books.

WILFRED M. McCLAY
New Orleans, La.

Benjamin DeMott replies:

I acknowledged that Kenneth Lynn "struggles to balance consciousness of [Hemingway's] faults with appreciation"; the point was that an impulse to belittle comes to dominate the biography as a whole, nuance disappears, and the struggle is lost. Before the end Mr. Lynn says that to Hemingway "lying about his experience" was "second nature," that Hemingway was "savagely destructive" of other writers, that he was "callous," "vicious," and "sadistic" in his treatment of fellow human beings, that he lacked "sophistication," was an "innocent abroad," and was "easily

fooled" in political matters, that his "vanity and cruelty" inspired "massive disgust" in his editors, and much more in similar vein. Even the claims of "good old Hem" (Lynn's condescending phrase) as a decent athlete are mocked as "balloons . . . filled with hot air." I share Mr. McClay's enthusiasm for fairness but not, I'm afraid, his indifference to animus.

VEAL AND DIETS

I have one comment on Ellen Ruppel Shell's interesting article about low-cholesterol dieting ("Snake Oil," August *Atlantic*): She says that "veal, seafood, and skinless chicken, which are . . . relatively low in saturated fat, are recommended as substitutes for red meat to people who are at risk for heart disease."

Veal is red meat and is by no means low in saturated fat. The leanest cut of veal—round steak—contains almost five times the saturated fat of skinless chicken breast. The prevalent idea that veal is fine for low-cholesterol diets may have originated from the fact that veal has little or no exterior fat, but if you trim the fat from lean beef round steak, the saturated fat remaining in the meat will be about half the amount that is in veal round.

ROBERT ECK
Chicago, Ill.

Ellen Ruppel Shell replies:

Mr. Eck is correct; veal is much higher in saturated fat than skinless poultry and well-trimmed cuts of very lean beef. Veal does, however, contain only half the saturated fat of lean hamburger, and is lower in fat than many cuts of beef, pork, and lamb.

LAND VALUES

A phrase in Philip Langdon's "Romance in the Rooftops" (July *Atlantic*) leaped out of the first paragraph: "forty unremunerative acres of cactus and mesquite."

It is just this thinking, that open spaces are really parking lots waiting to be built, that has assisted, if not caused, the destruction of so much of our wilderness.

To the plants and animals inhabiting that forty acres, it certainly was not unremunerative. And it may shock Lang-

don's urban sensibilities, but there are those of us to whom cactus and mesquite are beautiful, and to whom undeveloped land (I hear the builders' cries) is a necessity.

JO ANN LATORRA
Pacific Grove, Calif.

Philip Langdon replies:

I applied the adjective *unremunerative* to the Racquet Club's site not because I believe that desert land must be developed but, on the contrary, because the word summed up, baldly, the typical developer's attitude—that land is to be treated according to how much money it makes.

ADVICE & CONSENT

I disagree with Jack Shepherd's portrayal of Zimbabwe ("Zimbabwe: Poised on the Brink," July *Atlantic*) as a "peaceful pluralistic democracy."

Ever since Robert Mugabe, a self-styled apostle of racial reconciliation, came to power, in 1980, Zimbabwe has gradually but inexorably moved toward

the violence and political chaos that has plagued so many other African nations. In addition to unleashing the North Korean-trained Fifth Brigade on the hapless residents of Matabeleland in 1983, Mugabe has not hesitated to use the Central Intelligence Organization (CIO) to eliminate his enemies, both real and imagined.

Such heavy-handed policies have taken their toll. Indeed, in the aftermath of Mugabe's decision, on April 17, 1987, to end unity talks with the Ndebele-dominated Zimbabwe African People's Union (ZAPU), there was a marked increase in dissident activity throughout Matabeleland. The situation has become so tense that armed police and army units now ride the Zimbabwe Railway train through Matabeleland. Moreover, several train stations along this route are little more than armed encampments, where soldiers guard against possible ZAPU attacks.

The presence of approximately 12,000 Zimbabwean soldiers in neighboring Mozambique has added to Zimbabwe's growing instability. It is estimated that the cost of maintaining this

military force is as much as \$350 million annually. Many Zimbabwean troops are demoralized, because they are so far from home. Despite the adverse impact of this war, Mugabe remains committed to the Mozambique venture to secure the Beira corridor, which presumably will allow Zimbabwe to ship goods by way of Mozambique rather than South Africa.

Growing dissident activity, the war in Mozambique, the move toward a one-party socialist state, and the widening rift between the country's two major political parties have created an atmosphere of fear that has persuaded foreign businessmen to take their investments elsewhere. Indeed, official figures indicate that new foreign investment in Zimbabwe over the past seven years is less than \$50 million.

Shepherd should have asked, "What are Zimbabwe's future prospects in view of the fact that the country's political leadership has embraced policies that would prevent the creation of a peaceful pluralistic democracy?"

THOMAS OFCANSKY
Montgomery, Ala.

Ballantine's

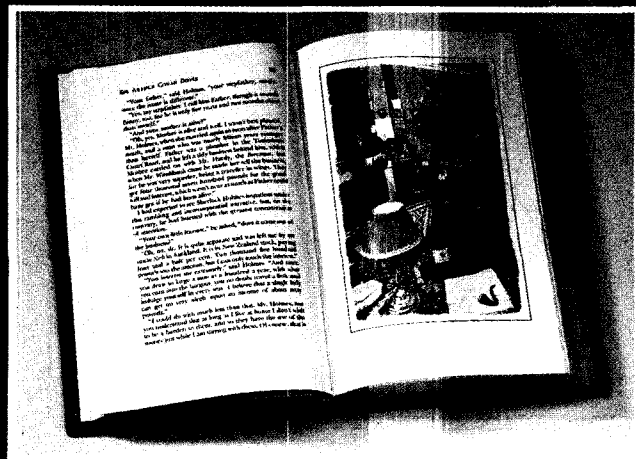
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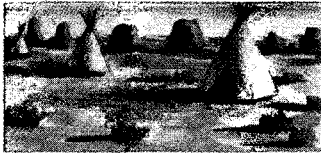
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THE OCTOBER ALMANAC



DEMOGRAPHICS

October 12, Columbus Day, a federal holiday. Demographers still do not agree on how many people inhabited North America when Columbus arrived. Estimates in the past have ranged from 1.15 million to 9.8 million. Recent estimates hover around 2.2 million. The 1980 census counted some 1.3 million Native Americans living in the United States, a figure that has raised some eyebrows, because it is 72 percent higher than the figure reported 10 years earlier. It may be that the proliferation of tribal and federal programs for American Indians has encouraged more Americans to think of themselves as native, at least at census-taking time.

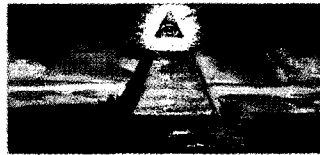
ARTS & LETTERS

By month's end virtually all of the nation's 250 professional symphony orchestras will have begun their 1987-88 season. Audiences will hear only a narrow range of music. Contemporary composers, stung by the reluctance of symphony orchestras to perform their works, compose less and less for orchestras and more and more for small ensembles. The music of Baroque composers has been claimed by period-instrument groups. The nation's symphony orchestras as a result rely heavily on Classical and Romantic works. Of some 350 programs to be offered by 11 of the most prominent U.S. symphony orchestras this season, only 20 will include the U.S. or world premiere of a new work, and only 15 will feature works by Bach, Handel, or Vivaldi.



HEALTH & SAFETY

The National Safety Council holds its 75th Congress and Exposition this October. It's a relatively safe month for the congress: fewer accidents requiring medical attention occur from October to March than do in the warmer months. Year-round, fewer accidents happen to women than to men, to the married than to the unmarried, to the rich than to the poor, and to easterners than to westerners. Fatal accidents are most likely to be caused by motor vehicles, gravity, water, and fire. For categories on which the government keeps data, the least likely causes of accidental death include venomous plants and animals (64 fatalities in 1983), the explosion of pressurized containers (59), fireworks (13), and radiation (0).



GOVERNMENT

October 1, the federal government's fiscal year 1988 begins. By this day appropriations for all federal agencies will cease unless new appropriations bills are passed or Congress passes a continuing resolution (which allows the government to keep spending money at the previous year's level). For the first time in history, Congress failed to pass any appropriations bills last year; the entire government has been operating under a continuing resolution since last year and seems likely to continue to do so. 5, the Supreme Court reconvenes.

EXPIRING PATENT

No. 3,531,814: Toe-cleaning device. "A conically shaped toe cleaning member, which is half brush and half sponge, is mounted on a rod for insertion between adjacent toes. This enables the user to maintain an upright position instead of having to bend for cleaning the web spaces between toes."



FOOD

This month American farmers are finishing up planting their winter wheat. The United States grows enough wheat to supply every American with a loaf of bread a day—and yet Americans pay a great deal more for white bread (80¢ a pound) than anyone except the South Africans (98¢ a pound) and the Japanese (\$1.05). The reason is twofold. In the United States bread prices primarily reflect labor and processing costs; these have risen even as the price of wheat has declined. Meanwhile, many other countries—for example, Zimbabwe (where a pound of bread costs 17¢) and the USSR (from 10¢ to 14¢ a pound)—subsidize the price of bread. Historically, high bread prices have occasioned riots and revolutions by the poor. But today's American poor eat more meat, poultry, and fish than they do bread, or so a recent study of low-, middle-, and high-income women suggests. In fact, well-to-do women are more likely than poor women to eat bread in a given day.

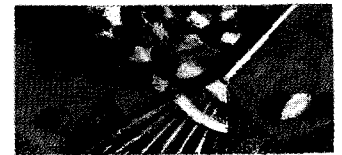
THE SKIES

October 4, the 30th anniversary of the launching by the Soviet Union of *Sputnik*. 7, Full Moon, also known this month as the Harvest Moon; a penumbral eclipse of the Moon will be visible from all of North and South America, Europe, and Africa. 21, the peak of the Orionid meteor shower, when Earth slices through the orbital path of Halley's comet. 25, Daylight Saving Time ends at 2:00 A.M. local time.



NEW STAMPS

October 1, a booklet of 22-cent stamps honoring locomotives to be issued in Baltimore. 23, a pair of 22-cent Christmas stamps to be issued in Washington, D.C., and Holiday, California. The traditional religious stamp pictures a Madonna and Child. The contemporary "secular" stamp features a pine-tree branch with ornaments. This year the Postal Service for the first time will issue more of the secular stamps than of the religious ones.



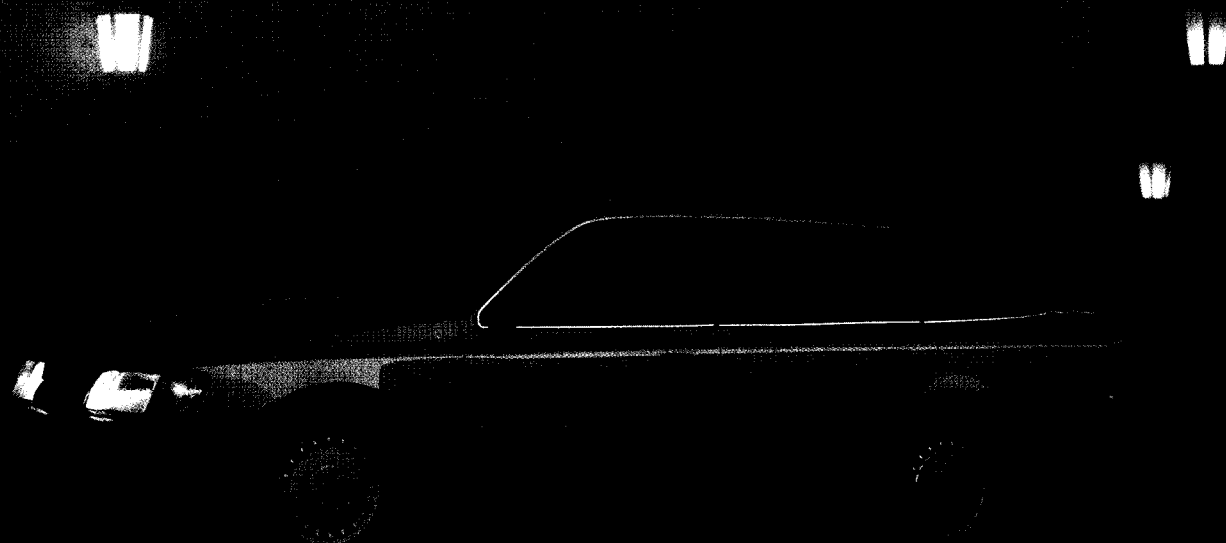
ENVIRONMENT

"October gave a party;/The leaves by hundreds came;/ The ashes, oaks, and maples,/ And those of every name"—George Cooper. In most of the world leaves turn yellow before falling; brilliant reds and oranges occur only in eastern North America and a few areas of eastern Asia. In addition to fine early-autumn weather (warm, sunny days and cool nights), which promotes red pigments, North America is blessed with trees prone to redden, a fact not lost on British landscapers, who have imported such species as sumac and red maple to mimic our display.

50 YEARS AGO

Gertrude Stein, writing in the October, 1937, issue of *The Atlantic Monthly*: "We went to Berkeley and they had invited me I think it was the Phi Beta Kappa to lunch, and during the lunch there were a lot of them there everybody asked a question not everybody but a good many, they thought I answered them very well the only thing I remember is their asking why I do not write as I talk and I said to them if they had invited Keats for lunch and they asked him an ordinary question would they expect him to answer with the Ode To The Nightingale."

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NOTES

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BUY SOME Alpha-Bits, Aqua-fresh, Band-Aids, Coke, Doritos, Downy, Drano, Dynamo, Efferdent, Fritos, Grape-Nuts, Head & Shoulders, Ivory Snow or Soap, Jif, Kleenex, Kool-Aid, Koolers, Lilt, Log Cabin Syrup, Mr. Clean, Mr. Muscle, Nice 'n Easy, Off!, Pepsi, Pert, Postum, Prell, Quilted Northern Bathroom Tissue, Ragú, Sanka, Sara Lee, Shake 'n Bake, Spic and Span, Tab, Tang, Triscuits, Twinkles, Ultra Pampers, Vanish, Windex, Wisk, Oxydol, Yard Guard, Zest, or any of quite a number of other "consumer packaged goods" and—assuming in most instances that you live in the continental United States or in some instances that you live in one of certain sections of the country—you'll find a toll-free number on the bag, bottle, box, can, canister, carton, dispenser, jar, tube, or wrapper.

You can expect the message advising you what to do with the number to be amiably open-ended, though the num-

ber of words expended to convey that impression will vary. On Beecham products, such as Aqua-fresh and Calgon Bath Oil Beads, it says: "Comments or questions? Please call toll-free 1-800 . . ." On Fritos, Doritos, and Tostitos it says: "If for any reason you have any questions, comments or are not satisfied, call toll-free 1-800 . . . weekdays 9 to 4:30 Central Time with date/price mark, brand and size."

What reason *would* a person have—a rational person, in particular, from whom a company would like to receive communications—to "comment" on a bag of corn chips, with or without date/price mark, brand, and size? What reason or person or comment or question would any of the companies responsible for any of these products want to go out of its way to know? What can these toll-free numbers tell us about America?

The conclusions below aren't exactly scientific. They are, rather, a hodgepodge made from as many of the remarks of spokespeople for some of the companies whose products are named above as it took for me to feel that if I hadn't heard it all, I'd heard much of it more than once.

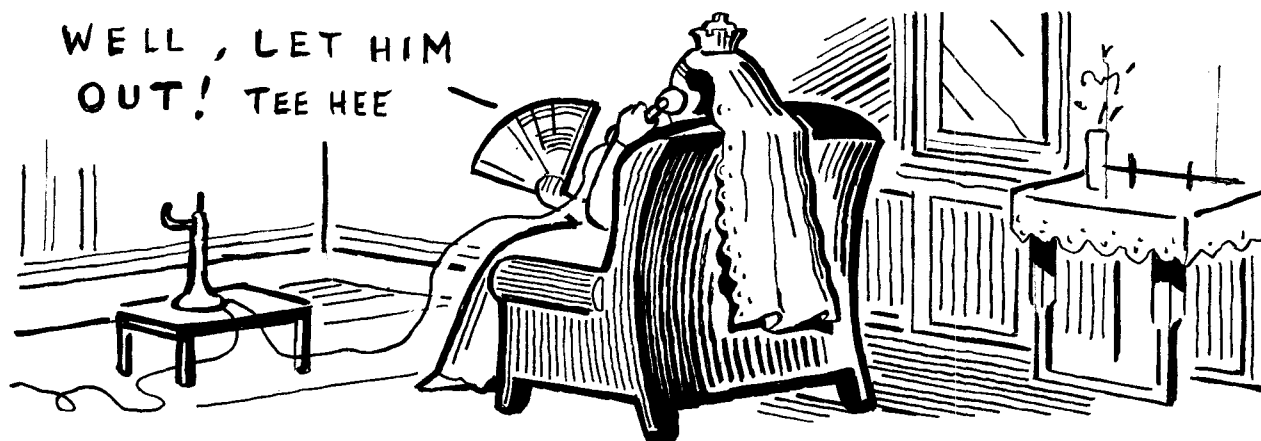
—Among people from whom compa-

nies receive communications, there are letter writers, and then there are telephone callers. Mail from consumers, companies typically report, drops off only slightly after a toll-free number is instituted. Some letter writers are so determined that they will keep on writing even when the company's street address no longer appears on the package and they have to phone to get it.

—For most kinds of products, telephone callers outnumber letter writers by two or three to one. Thus toll-free numbers tend greatly to increase the number of communications from consumers to companies.

—Telephone callers are more inquisitive than letter writers. The preponderance of new business coming to most consumer-information departments has been questions: whether Cherry Cola Slice has caffeine in it (yes, but only trace quantities), how to get a particularly tricky child-safe bottle open (first make sure you're pointing what will be the opening away from you . . .), whether Procter & Gamble is institutionally committed to Satanism (no, but thank you for taking the trouble to inquire).

—Telephone callers seem to be more



Panasonic can fill six pages telling you everything this electronic typewriter can do.

6-Page Memory

Can you remember every word of a six-page letter, essay, or business report? Probably not. Because a six-page document contains about 12,000 characters. That's a lot of memorizing, even for a good memory.

On the other hand, the Panasonic KX-R310 has a great memory. It not only stores as many as six to eight pages of typewritten information, it can create up to 20 separate files. That means you can store reports, memos, even four letters.

When you want to store information in the memory, you simply depress the **STORE** key. Then you type the information. After you finish, you depress the **RETURN** key. Next, you enter the information on the LCD screen. The CODE and the ADDRESS are shown. Then press **DOWN** to close the page.

To use the text memory just depress the **TEXT IN/OUT** key, and follow the prompts in the LCD. Type "I" for "IN", then enter the file name and start typing. You can even insert a stored phrase into the text memory. To do this, first scroll through your text to the location at which to insert the phrase. Depress the CODE key and a number from 1 to 261 of the phrase to be inserted. But the **RETURN** key, then "Y" for "yes", and the phrase will be inserted in the text memory.

Like a computer word processor, the Panasonic KX-R310 allows you to edit your text so that it goes onto the paper exactly as you want it.

Word-wrap assures that text is automatically rearranged to suit your margin settings. Word Search makes it easy to locate particular sections of stored text.

You can also have particular words replaced with different words automatically. Sequential Word Search simplifies searching for more than one occurrence of the same word. Not only can you insert and delete text anywhere in the document, you can also alter or rearrange entire blocks of text.

Block Editing functions speed up editing. Making it possible to move blocks of text, paragraphs, or pages of text. The **Block Move** function keeps your formatted blocks like Centering and Paragraphing intact with the moved text for repeated previous convenience.

Panasonic also has a host of automatic functions to enhance the attractiveness and professional look of your typing. The KX-R310 automatically justifies your lines, adds boldface automatically, centers titles, organizes columns of numbers so the decimal points automatically align, indents paragraphs, makes the right margin flush and automatically returns the carriage without having to be told. All to make typing easy and make you efficient.

Word Processing Functions

Letter Quality

For many people, including students and professionals, letter-quality printing is one of the most important features to consider when choosing a typewriter. After all, how a document looks is sometimes as important as what it says.

Using different typefaces helps you add a professional touch to your documents and at the same time lets you establish your own style for form letters, school reports, business correspondence, just about anything.

Changing typefaces in the KX-R310 is a snap. You simply snap in one of the many different typefaces. But changing typefaces is only one of the elements that will make your documents look more professional. The KX-R310 lets you print in bold face. And with a push of a few buttons you can underline, center and align documents. You can even make it justify type. So producing excellent-looking work now takes only a fraction of the time.

The KX-R310 helps you add a special touch to your documents. Changing typefaces in the KX-R310 is a snap. You simply snap in one of the many different typefaces. But changing typefaces is only one of the elements that will make your documents look more professional. The KX-R310 lets you print in bold face. And with a push of a few buttons you can underline, center and align documents. You can even make it justify type. So producing excellent-looking work now takes only a fraction of the time.

excellent

Spell-Minder

If you can't spell "ryght" from "right," then the Spell-Minder™ verification system is just what you've been waiting for.

Spell-Minder will dispel your fears about spelling. With an 86,000-word electronic dictionary plus room for 300 personal words, Spell-Minder helps you find many of those little mistakes that English teachers catch. Like misspelled abbreviations, irregular use of capitals and many punctuation errors, too. And the 300-personal-word dictionary means even names won't get missed.

With Spell-Minder, spelling a word is misspelled, spelled on the display screen. word and indicates one word or directly onto the page.

Best of all, in the text memory mode, you can pick any point and start checking spelling from there. The display shows "VERIFYING" until it finds a spelling error or "VERIFIED" if it finds none. When you want to add a word to the dictionary, you simply enter the word to be registered. Depress the ADD key and the word is registered in the dictionary.

To delete a word from the dictionary, enter the word to be deleted. Depress the DELETE key. Now that's pretty easy, ryght.

ryght

Wouldn't it be nice if you could see what you typed before you put it on paper? Our LCD display lets you do just that.

The KX-R310 has a 14-character LCD display which lets you detect mistakes, edit, move or delete information.

When typing, most people realize they've made a typing error as it happens.

14-CHARACTER LCD DISPLAY
very beautiful 88

The KX-R310 gives you a choice of typing modes. The **TWELVE** mode lets you type directly on the page, similar to standard typewriters. This makes filling out forms and addressing envelopes easy. The **L/L** mode lets you preview, edit, and correct an entire line on the 14-character LCD display. And the **JUST** mode lets you edit and correct full paragraphs and print them out with perfectly justified right margins. And the KX-R310 has a full-size international keyboard (ISO 10111).

All this makes typing with the Panasonic KX-R310 typewriter very beautiful.

14-Character Display with Character Count

Quick Erase is a marvelous feature. It can be used to speed up correction because it enables you to erase an entire word from the page at the touch of a key. After you type a word, you may find it misspelled or decide that it's the wrong choice. Simply press the Quick Erase key and the entire word will be erased from the page. And if you've typed past the incorrect word, Quick Erase can still correct the word, so long as it's on the same line. What could be easier?

Quick Erase, first depress the **BACK SPACE** key or locate the desired position. If you have depressed after typing the incorrect word, make sure to depress key before depressing the **QUICK ERASE** key. Then **QUICK ERASE** key and type the correct word.

This **QUICK ERASE** feature can save you time and effort because it lets you delete an entire word all at once. Just

One-Line Correction

If you've read the six pages, you already know all the Panasonic KX-R310 can do. If you haven't, we'll sum it up for you.

Let's start with its memory. Can you memorize every word of a six-page document? Probably not. For the KX-R310, it's a piece of cake.

So is producing letter-quality documents. Because the KX-R310 uses a daisywheel printing element. That means you get outstanding quality as well as a choice of optional typefaces.

And if you think the KX-R310 also knows when you've made a spelling error, you're correct. The Spell-Minder™ is a spelling verification system that

knows the correct spelling of over 86,000 words. There's even enough memory to store 300 personal words.

The Panasonic KX-R310 also functions like a word processor with Block Move, Delete/Copy, Word Search and more.

It's also easy to keep tabs on what you've typed because the 14-character display spells it out for you beautifully. There's also one-touch Quick Erase as well as one-line correction.

The Panasonic KX-R310. Now that you know everything it can do, you can start filling up your own pages.

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just slightly ahead of our time.



complimentary about soft drinks than letter writers, and less so about most other products. This is, though, an especially tentative conclusion.

—Callers have been known to ask consumer-information representatives out on dates. A letter writer, though, once proposed marriage—from jail.

—People call to comment on ads a given company is running. They call to offer their children or themselves for the company's advertising. They call with big ideas for new ads, new promotions, new products. They call to comment on the activities of characters in soap operas with which the company is associated.

—Schoolchildren have developed modern-day toll-free equivalents of the old "Prince Albert in a can" and "pop in a bottle" routines. The volume of silly calls is especially high during teachers' conventions and school holidays.

—Some people believe that Carol Hansen, whose name appears on all Johnson Wax products (consumers are offered the choice of writing to her or calling the toll-free number), is just a figment of the corporate imagination, like Ann Page, Betty Crocker, and Aunt Jemima. She is not. She is a real person, who has been with the company for twenty-three years. However, she doesn't take calls, not even to prove she is real.

—Some people believe that if they call the Pepsi-Cola Bottling Group's toll-free number, they'll get to talk to the president of the Pepsi-Cola Company, Roger Enrico.

—Some people will be pleased if you offer to mail them a photo of Charmin bathroom tissue's Mr. Whipple.

—One person who wrote Frito-Lay recently with a question or comment is a woman who lives abroad, who keeps a parrot that refuses any food other than Fritos, and who has had difficulty finding Fritos in local stores. One person who called to comment on Fritos—as a possibly apocryphal story goes—is a self-described moonshiner who finds corn mash made from Fritos to be substandard.

—All told, consumer-packaged-goods companies receive a few million calls to their toll-free numbers every year.

—In the judgment of company spokespeople, rational people from whom companies receive communications outnumber irrational people by at least ninety-nine or ninety-eight to one or two.

—Barbara Wallraff



KOREA THE BURDEN OF OMNIPOTENCE

*Dependence on the United States
has led the South Koreans to magnify
our power over their
domestic affairs*

THE RIOTS IN South Korea this summer were more anti-Korean-government than anti-anything-else, but the United States was clearly villain number two. For what seemed like hours on end, students would chant the main anti-government slogan, a strong four-beat "*Tok che tah do.*" This means, approximately, "Throw the bums out"—or, in the more elaborate translation one student gave me, "Oppose President Chun Doo Hwan's dictatorship and his decision of April 13 to postpone constitutional reform until after the Olympic Games in Seoul next year." The next most common chant, which foreigners could understand without translation, was another four-beater: "*Yan kee go home.*" Apart from riot police and a few other officials, foreign reporters seemed to be the only people in Seoul allowed to buy gas masks, for protection against the tear gas that enveloped the downtown and immobilized mere civilians through much of the month of June. As they mingled among the protesters, reporters from Britain,

Australia, and Europe went out of their way to explain that they were not Americans, so that the students would stop yelling "*Yan kee go home*" at them.

Several Koreans told me I should not make too much of the country's nascent anti-Americanism. For one thing, it was noticeable largely because of its man-bites-dog novelty value. Korea has depended so heavily on the United States for so many years that everyone notices it when Koreans say anything bad about America. After only a month in the country I was surprised whenever a Korean said anything *good* about the Soviet Union, North Korea, or, above all, the former colonial oppressor, Japan.

Moreover, some degree of anti-Americanism in Korea seems understandable, natural, and arguably even healthy for both sides. The United States is still an enormous presence in Koreans' daily lives, as it was thirty-five years ago, when Korea was a devastated country with all the trees blasted off the hillsides and families desperately scrounging for food in the GIs' garbage bins. Korea is not yet rich but it is far from desperate, and one inevitable step in its development is figuring out just what its new relationship with America should be.

American soldiers are more visible and un-ignorable in downtown Seoul than in any other Asian capital. Korea's own (government-controlled) TV stations are off the air between ten in the morning and five-thirty or six at night. The only all-day and very-late-night TV programs are on the Armed Forces Korea Network, which broadcasts American sitcoms, game shows, movies, sports,

and network news. The Korean government did its best to control domestic news coverage of the protests, with strict guidelines about what developments the press should play up or ignore. But its control was heavily, even fatally, compromised by AFKN, which carried news reports from the *Today* show, *Nightline*, and the network newscasts twelve hours after they were shown in the United States.

The United States concentrates many of its troops in spartan, no-nonsense quarters near the demilitarized zone, but there are enough left over to fill an enormous, comfortable rearguard camp in Seoul. The Yongsan military installation, once the home of the Japanese Imperial Forces, now occupies about as much space as Seoul's entire downtown business district. In a city where land is almost as scarce and expensive as it is in Tokyo, the grandeur of the Yongsan golf course, swimming pools, commissaries, schools, and 1950s-style suburban housing tracts must create at least a flicker of resentment in Koreans (as well as a surge of nostalgia in the breasts of visiting Americans—it's like *The Donna Reed Show*). Not many Koreans seem to endorse "Yankee go home" in a literal sense—removing the 40,000 American soldiers who beef up Korea's defense. "We still think we need the troops for our protection," one student from Seoul National University told me, between choruses of "*Yan kee go home!*" But it's not hard to understand why Koreans wish they didn't need the help, or why some may resent the United States precisely because of their dependence.

In other, non-military ways the United States still exerts a kind of influence in Korea that it has not had in Japan for at least thirty years, and maybe never did. From President Chun Doo Hwan and his heir apparent, Roh Tae Woo, who in their military days went to American command schools, to the newest cadre of engineers joining Daewoo or Hyundai, a very high proportion of Korea's business, government, and academic leaders have been trained in the United States. For instance, the country's most prestigious and powerful economic think tank, the Korea Development Institute, has thirty-two fellows, all of whom hold doctorates from Stanford, MIT, Chicago, or other American universities. (Many fewer powerful Koreans have gone overseas for their undergraduate degrees; one reason more haven't is that it would mean sacri-

ficing the crucial network of classmate friendships that can be forged at Yonsei or Seoul National or Korea University. But after four years of connection-building, the right step for an ambitious Korean is to head for the United States.) This broad exposure to American education seems likely to send Korea down a different economic path from the one Japan has chosen. But it, too, naturally makes for resentment. "They don't object to my American degree," one professor, with a doctorate from Columbia, said of his students who had joined the protests. "But they ask why they never hear from people trained in Europe or Japan."

Beyond these probably unavoidable reactions to America's influence, Korea's anti-Americanism has another dimension, which illustrates some of the difficulties the United States has made for itself in becoming a world power. The main reason why Koreans are angry at America is that, like many other people around the world, they have a wildly exaggerated view of America's ability to control events. To put the point more carefully: at the moment in history when Americans are speculating about the decline of the United States as a world power, many Koreans seem to think that the United States has more influence over Korea's destiny than most Americans think it can, does, or should have.

It is difficult to say precisely what lies behind the Koreans' attitude. In large part it probably reflects the Confucian tendency to size up the participants in any encounter as Elder Brother and Younger Brother, and to look to Elder Brother to take the lead. It may be a left-over effect from the decade or so after the Second World War, when the United States really could make Koreans and others behave the way it wanted. To some extent it is normal human narcissism. Many people believe that God pays enough attention to their daily behavior, in a world of five billion human beings, to single them out for reward or punishment. It is at least as logical for Koreans to assume that the U.S. government spends half its time calibrating the signals it sends Korea.

Whatever the precise origins of this attitude, many Koreans seem reluctant to believe that anything happens by accident in U.S. foreign policy. For instance, during the same week in which Roh Tae Woo, the government's nominee for President, announced that he would accept many of the opposition's



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Enclosed is my gift for a full year ☐ the
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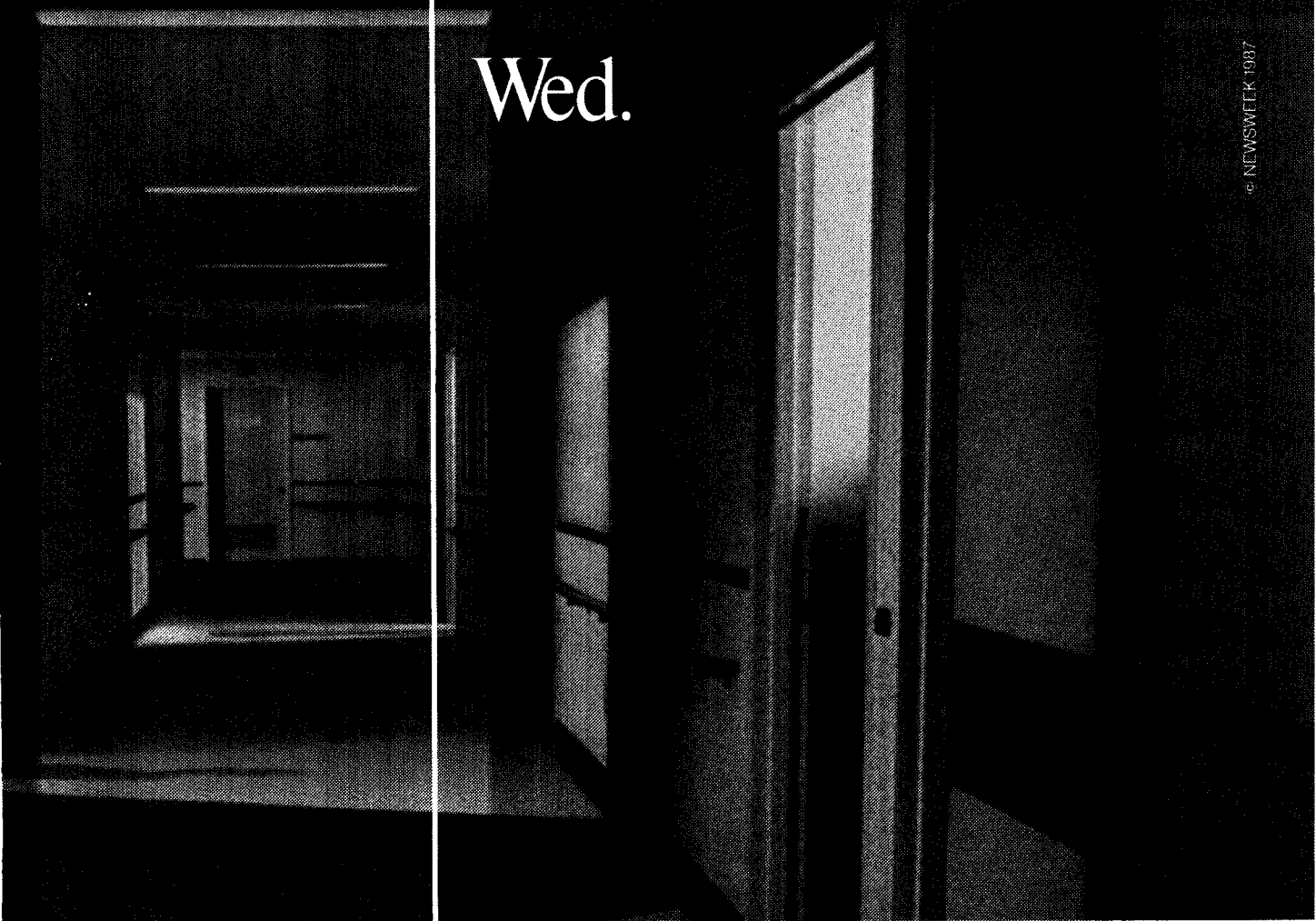
What you don't know about it can kill you. And misconceptions about it can be almost as destructive as death is to those who have it. Now that we know AIDS is everyone's disease, not just a subculture infection, we all have to live with it. And understand it.

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Wed.

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Sat.

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Newsweek

Why it happened. What it means.

demands for reform, the command of U.S. forces in Korea changed hands. General William Livsey, who had been in charge for three years, passed his swagger stick to General Louis Mene-trey, and retired. Three of the Koreans I interviewed—a salaryman at a major corporation, a professor, and a radical student—pointed out what was to them an eerily portentous fact. For the past thirty years the Korean command has traditionally been the next-to-last rung on the ladder to American military eminence; indeed, two of General Livsey's predecessors, Generals John Wickham and John Vessey, had been called home from Korea to appointments on the Joint Chiefs of Staff. Could it be an accident that Livsey was being pensioned off to Georgia? Wasn't this an unmistakable indication of Washington's displeasure with Livsey, for seeming to get too close to the little-loved President Chun—and a warning signal to Chun himself?

To Koreans such implications seemed obvious, but to me they seemed obviously wrong. I doubt that any American who had seen AFKN's saturation coverage of Livsey's farewell speeches and interviews would have seen his retirement as a mystery requiring explanation or even hard thought. Although Livsey's professional reputation is said to be high, his public bearing has none of the soldier-statesman sobriety usually required for promotion to the Joint Chiefs. (I had a hard time placing what Livsey's squeaky-voiced, hillbilly speaking style reminded me of until AFKN ran an old episode of the 1950s sitcom *The Real McCoys* during Livsey's valedictory week. Eureka! He had modeled himself on Walter Brennan as Grandpappy Amos. Could *this* broadcast have been an accident?) Yet when I offered this explanation for Livsey's retirement to my Korean friends, they looked at me in pity for my innocent mind.

The overestimation of American power and overinterpretation of American behavior have implicated us in a far more serious episode: the "Kwangju incident" of 1980, which still hangs over Korean politics and, I was told, remains the single greatest source of bitter anti-American feelings.

THE HISTORY OF Korea's Fifth Republic, headed by President Chun, began in the fall of 1979, when President Park Chung Hee, who had himself taken power in a military coup, was assassinated by the director of the Korean

Central Intelligence Agency. Over the next six months the military solidified its control of Korean society, and Chun Doo Hwan, then a two-star general, solidified his control of the military. By the fall of 1980 he had been formally sworn in as President, with a new constitution. But before that, in mid-May, the military authorities imposed martial law. Protests ensued, and in the city of Kwangju, in southwestern Korea, demonstrators took control of much of the city, including its police armory. The military government sent in a "special forces" combat unit to put down the uprising, and in the carnage that followed somewhere between 200 (the government's claim) and 2,000 people (the protesters') were killed. The continuing uncertainty about the number is one illustration of how chaotic Kwangju was.

The Kwangju incident has tremendous staying power in Korean politics. For instance, as soon as Roh Tae Woo announced that he was willing to compete in an open election, speculation shifted to how and when the Chun-Roh party would "atone" for Kwangju. When I asked Koreans why it remained so important, they said that it combined several of the most powerful symbols in Korean life. It involved regional conflict, in a country made up of what were once three separate kingdoms. (The southwestern Cholla region, including Kwangju, was once the kingdom of Paekche and often feels shortchanged by the national government. The best-known opposition leader, Kim Dae Jung, is from Cholla.) It juxtaposed a traditionally admired activity, student protest, with one that Koreans vehemently denounce as "illegitimate": seizing power through military force. (The nation's history is coup-ridden, but Koreans seem to resent this more than some Latin Americans do.) The martyrs of Kwangju also seem to carry more emotional weight here than, say, the vastly more numerous victims of political protest in the Philippines carry there. Tens of thousands of Koreans turned out for the funeral of the one student killed in the June protests.

As the man who was in charge of the military when soldiers killed hundreds of civilians, President Chun carries the strongest taint from Kwangju. But the episode also scars the United States, because of the near-universal perception among Koreans that the United States condoned the slaughter, or could have prevented it if it really cared.

This accusation probably sounds as far-fetched to most Americans as speculation about the Livsey "case" does. However, it rests on a partly accurate public impression: that the commanding American general in Korea controls Korean as well as U.S. troops. Under the agreement establishing a Combined Forces Command, or CFC, the United States does control some Korean troops—but only some of them, and only in limited circumstances, mainly connected with repelling an invasion from the north. The special-forces unit that did most of the killing in Kwangju was not, and never has been, under CFC—that is, American—control. Chun and his fellow generals ordered troops into Kwangju, and they did not need America's blessing. "We did not even know they had gone into the city of Kwangju for thirty-six hours," Thomas H. Dunlop, who now heads the Korea office at the U.S. State Department, said in an interview with a Korean paper this summer. Several days after the initial slaughter, when the Korean government sent the 20th Infantry Division into Kwangju, where it made a more successful and far less bloody attempt to control the city, the government did notify the American commander that it was removing the division from CFC control. The United States posed no objection, and William Gleysteen, who was the ambassador at the time, has since argued that the move was necessary to restore order and keep more lives from being lost. But even if the United States had objected, the decision was the Koreans' to make. "Whatever a command authority of the sovereign state wants to do [with] its own military forces, it can do," Dunlop said. "There was never any operational control over any forces that operated in the Kwangju incident by an American."

The Kwangju incident remains engrossing in many ways—though not as a legal question, since Korea's authority over the troops, and America's lack of control, seem so cut and dried. But when I mentioned such technicalities to Koreans who complained about the U.S. role in Kwangju, they brushed them aside, as mere debating points. Surely the United States could have kept such a thing from happening if it truly valued democracy and human rights.

I wasn't in Korea in 1980, and I can't prove that these suspicions are untrue. But the assumption of American omnipotence behind the questions intrigues me. The Koreans are angry at the Unit-

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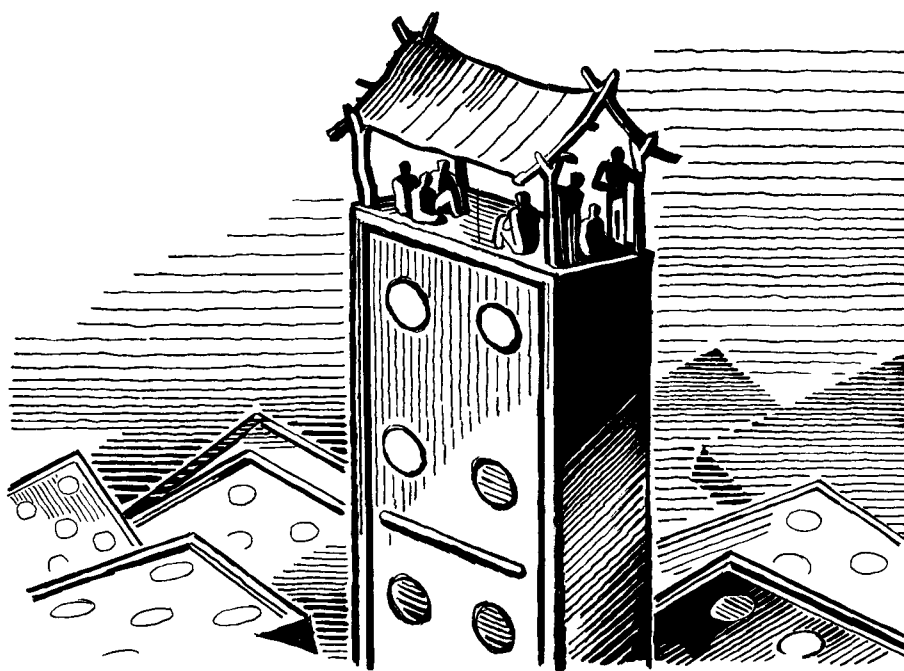
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ed States because it "let" the killings happen. (If God is kind, how can he let the world live in pain?) The Americans who were on the scene viewed their power, and the Koreans', in a different light. Korea is, after all, an independent country, they said. Surely we could not have kept the generals from taking steps that they considered essential to their survival.

A similar split perspective developed during this summer's riots. After Roh and Chun offered compromises that calmed the protest for a while, State Department officials in Washington were quoted as congratulating themselves on their skillful "management" of the crisis. This fed the general Korean perception that America had finally decided to make its pet dictator behave. But the American diplomats on the scene struck a different tone. In their background briefings they emphasized the principles for which America stood: for non-military solutions, against martial law, hoping for compromise. But the United States couldn't run Korean politics for the Koreans, they said. When the compromise was struck, they said it was the Koreans' own work. Chun and Roh were aware of America's position, but they had finally agreed to reforms for their own reasons. (The other alternative, martial law, would have prolonged the protests and jeopardized the Olympic Games, to the lasting embarrassment of Korea and Chun.) Maybe these more modest-sounding Americans were fooling themselves (and me), but their view struck me as consistent with what most of their countrymen would think.

The burden of seeming too powerful, in Korea and elsewhere, will presumably lighten by itself. In Japan it's long since ceased to be America's biggest image problem, and Korea, too, will soon come to realize the breadth of its own power and the restrictions on ours. Yet as long as America remains both a world power and a democracy—as long as we have interests around the world but are squeamish about running pure puppet regimes—we will have to answer to the secular version of the "just God—unjust world" paradox. One way to resolve it is to renounce our interests, as in Vietnam after 1975. Another is to renounce our squeamishness, as in Nicaragua after 1980. Perhaps the best is to speak up for what we believe in without pretending that the outcome is within our control, as in Korea this year.

—James Fallow



THAILAND THE LAST BUS

The Hmong are reluctant to come to America: that is their tragedy and Thailand's trouble

WHEN BOONMEE VICHITMALA returned to Ban Vinai, a Hmong refugee camp in northeastern Thailand, from a tour of the United States, he brought back dozens of photographs he had taken in California, Minnesota, and Rhode Island, of Hmong refugees who had been successful in America. As the Thai camp commander of Ban Vinai, Boonmee was in charge of Thailand's largest refugee camp, containing the biggest Hmong community in the world. For several years he had grappled with a perplexing problem: what to do with more than 40,000 refugees who would rather stay in a refugee camp than go to the United States.

Boonmee's photographs showed Hmong refugees, in their elaborately embroidered tribal clothes, standing in front of their new houses and cars and in their remodeled living rooms and kitchens, packed with TVs, stereos, VCRs, ovens, dishwashers, and microwaves. He put the pictures on the outside wall of his office building, a bungalow in the middle of the camp, and when Hmong visitors came by, Boonmee would point to the pictures and describe the life that was awaiting them in America.

Boonmee's plan worked about as well

as the quixotic scheme to reduce the Hmong birthrate in Ban Vinai by offering cassette recorders and other premiums to those who volunteered to participate in a birth-control program. For a long time after that, people could be seen grinding up birth-control pills to use in their gardens. The pills, it turns out, make an excellent fertilizer—a filip of irony in the life of the Hmong. "The Hmong have lost the things that matter most to them: their homeland and their independence," a refugee worker in Ban Vinai commented to me on a recent visit I made. "All they have left is their stubbornness."

On the lines of a graph charting the departures of Vietnamese, Lao, and Cambodian refugees from refugee camps in Thailand for resettlement in the West, dramatic peaks and depressions appear, with the highest peak in 1980, the year the United States took about 165,000 Indochinese refugees. The line for the Hmong, a hill tribe from Laos, has a simplicity the others lack. It has the one peak in 1980, when more than 20,000 Hmong left refugee camps for the United States. But from 1981 to 1986 only a few thousand a year left Thailand for the West, even though most of the Hmong, as America's former allies in the fifteen-year CIA-sponsored war in Laos, qualify for resettlement in the United States. While Vietnamese, lowland Lao, and Cambodian refugees waited for years in crowded camps in Southeast Asia in hopes of resettlement in the United States, Hmong refugees were turning down offers of resettlement, hoping that a change in

government would allow them to go back to their homes in the mountains of Laos.

For years that hope has been kept alive by a Hmong resistance army inside Laos, with leadership in Ban Vinai and minimal support from Thailand, from China, and from a private right-wing group led by the retired U.S. general John K. Singlaub, who figured in the Iran-contra network. The ill-equipped, factionalized resistance is more an annoyance than a threat to the Vietnamese-backed Lao government, but its leaders in Ban Vinai have managed to keep the Hmong in Ban Vinai with promises of victory—and, occasionally, threats.

Until recently they didn't have to threaten very much. Traditionally, when the semi-nomadic Hmong were planning a move, they'd send out scouts to explore the new territory. Not long after the big U.S. influx of 1980, resettled Hmong sent tapes telling about their experiences to their relatives back in Ban Vinai. Their stories detailed the despair of a tribal people lost in America; the former guerrilla fighters found their jungle savvy of little use in their new home. Community efforts to help the Hmong were frustrated by their tendency to migrate from place to place, in patterns reminiscent of their life in Laos. Nearly half of them wound up in California's central valley, drawn there by the prospects of farming, the warm climate, and the generous welfare benefits—or by the presence of relatives who had arrived earlier. Later successes there and in other communities would not dislodge the perception that the Hmong could not adjust to life in America.

REFUGEE OFFICIALS TALK about the three "durable solutions" to refugee problems: voluntary repatriation, settlement in the country of first refuge, and resettlement in a third country. For the Hmong, who never seem to fit into conventional categories, circumstances have created the "non-durable non-solution," as one U.S. refugee official puts it, of a life in limbo in Ban Vinai.

According to the 1967 United Nations agreement on refugees, to which the United States (but not Thailand) is a signatory, repatriation is acceptable only when it's voluntary or when changed circumstances in the refugee's country of origin will permit a safe return. Neither condition applies. The Hmong say they don't want to go back to a Vietnamese-

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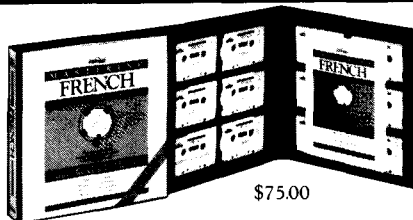
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controlled Laos, and independent observers are unable to confirm or deny reports that some returned Hmong have been singled out for harsh treatment. Certainly the resistance complicates matters: even if the Hmong wanted to go back, the Lao government would be unlikely to accept large numbers of them from a camp with ties to the active resistance.

The second solution—settling the refugees permanently in Thailand—probably has no more chance for success than repatriation, even though Ban Vinai, with its village-like appearance, seems halfway there. Thailand has refused even to discuss the possibility, and with reason. For one thing, a resettlement program in Thailand could attract thousands of new asylum-seekers from Laos, one of the poorest countries in the world. For another, hundreds of thousands of Indochinese refugees and displaced persons are still in Thailand twelve years after the end of the war, including perhaps 50,000 illegal immigrants from Laos. In addition, Thailand has a shifting population of hill-tribe refugees from Burma, 12,000 Chinese refugees (remnants of the defeated Chinese Kuomintang army), and 40,000 Vietnamese refugees from the first Indochina War, who thirty years later are still viewed suspiciously as a Vietnamese fifth column. Moreover, Thailand already has its own population of Hmong—50,000 of them—and for years has been trying without success to persuade them to come down from the mountains, where they grow opium, slashing and burning valuable forest in the process.

Still, the presence of 45,000 anti-Communist Hmong on the Thai-Lao border hasn't been without temporary advantage to Thailand. An effective resistance might provoke an attack from Vietnamese-backed Laos and most certainly would precipitate a crackdown on Hmong-resistance sympathizers in Laos, which in turn could generate *more* refugees. But a minimally effective resistance keeps pressure on Laos. This gives Thailand a card to use in its efforts to negotiate better relations with Laos, which supports a small Communist Thai insurgency in northeastern Thailand. There is economic advantage as well: Ban Vinai is located in one of Thailand's poorest regions, and its markets are a source of income to local villagers, who can no longer depend on trade with Lao villagers across the Mekong.

For the Hmong and the United States, Ban Vinai has provided an alternative to resettlement in the United States—after the 1980 influx neither the Hmong nor the United States was eager to try *that* experience again—and time to wait for other options to open up. Most of all, Ban Vinai serves the interests of Hmong resistance leaders. Without Ban Vinai the resistance would fold, and without a resistance Hmong military leaders—both in Ban Vinai and in the United States—would lose their only source of power.

IN 1983, SUSPECTING that the non-durable non-solution was becoming, quietly and without notice, permanent, Thailand increased pressure on the Hmong to make a choice. It closed Ban Vinai to new arrivals, who were sent instead to Chiang Kham, an austere barbed-wire camp that makes Ban Vinai look like a veritable country club. A year later Thailand stepped up the pressure by increasing efforts to prevent asylum-seekers from entering the country. Also, from 1984 to 1985 some 3,000 undocumented residents—refugees who had sneaked into Ban Vinai to join relatives—were rounded up and sent to Chiang Kham. The post office, a vital link to relatives in the United States, was moved out of Ban Vinai, and a ban on the cutting of bamboo for construction was reissued, forcing the United Nations to use corrugated tin to build homes that became hotboxes in the intense heat.

Efforts to control the birthrate in Ban Vinai, however, have failed. The Hmong practice of early marriage, combined with Ban Vinai's large population of young women, has given the camp one of the highest birthrates in the world. For every Hmong who emigrated to the United States in 1986, another was born in the camp.

From 1984 to 1986 Alan Wright, a nurse in Ban Vinai, studied the birth, emigration, and death rates in the camp. In a paper he wrote in the summer of last year, Wright offered a best-case-worst-case scenario: at the rate of resettlement in the West occurring over that period, the camp's population would stay roughly the same, but if emigration stopped, the population would double in just seventeen years. Before he left Thailand, in 1986, Wright gave a copy of his report to a Thai refugee official. It was called "A Never-Ending Refugee Camp?"

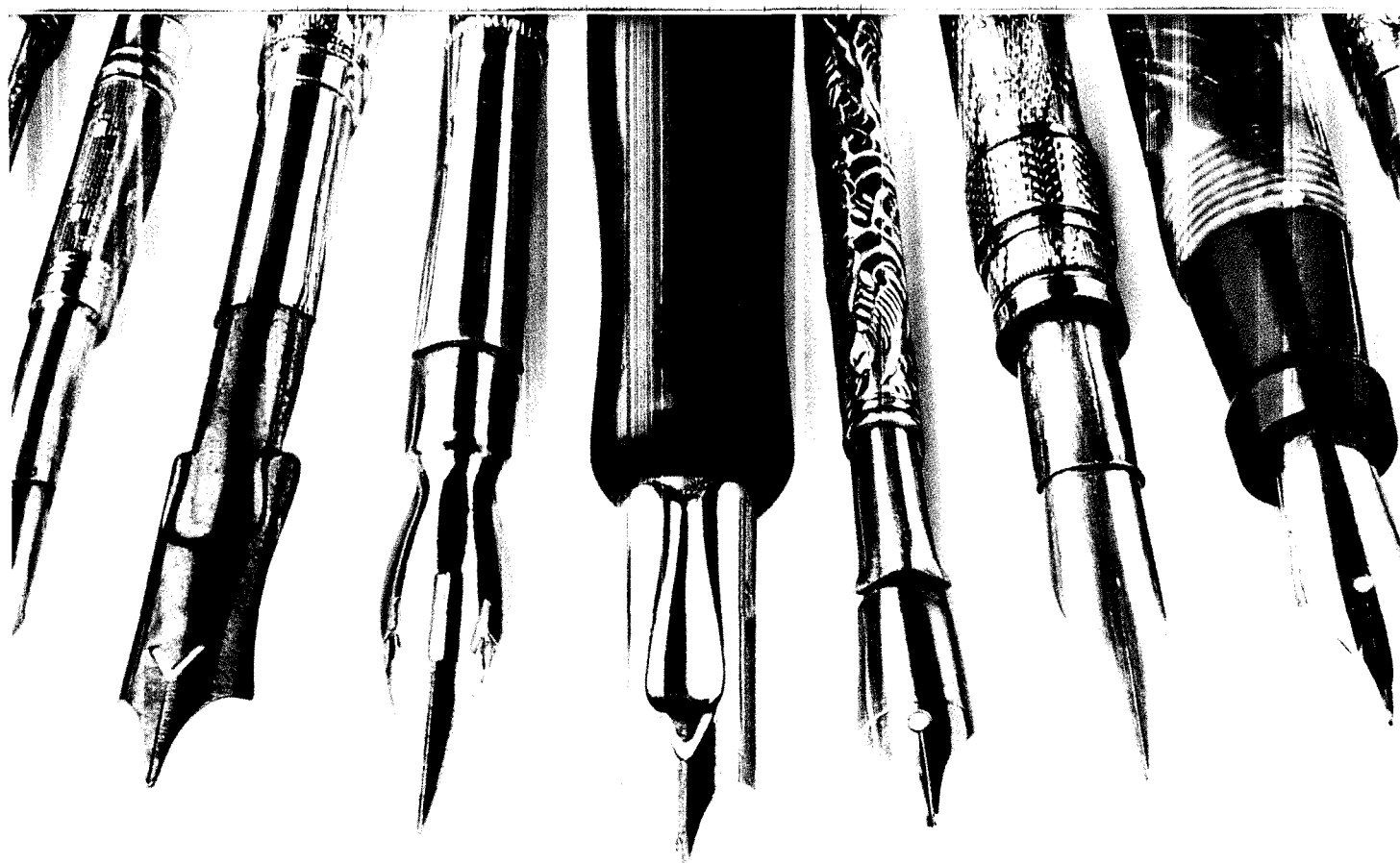
The worst-case scenario—a doubling

of the Hmong population in seventeen years—wasn't impossible. To Thai officials, the U.S. refugee program appeared to be winding down. In 1980, at the height of the refugee crisis in Southeast Asia, more than 90,000 refugees left Thailand for resettlement in the United States. As the crisis waned, so did international attention. In 1985 fewer than 24,000 refugees left Thailand for the United States; other countries took 7,400. But there were still plenty of refugees in Thailand at the end of that year—130,000, a slight *increase* over the previous year. (More than 250,000 Cambodian "displaced persons" were on the Thai-Cambodian border, with no option for resettlement in the West.)

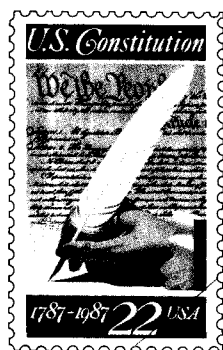
In the summer of 1986, Thai officials announced that 1987 would be the last year that refugees would be resettled in the West. A letter threatening to close down Ban Vinai and send the refugees back to Laos was circulated in the camp. The threat came at a time when the Hmong were beginning to lose faith in the eleven-year-old resistance. It is said that when General Vang Pao, the charismatic Hmong leader, fled Laos for Thailand and then the United States, in 1975, he told one of his assistants that the Hmong would return to Laos within ten years. The Hmong believe in the power of prophecy, and when 1985 passed with no prospect of change in Laos, many began to question the resistance effort as a whole and Vang Pao's leadership in particular.

By mid-1986 refugee officials at the American Embassy in Bangkok had learned that 10,000 Hmong—a quarter of Ban Vinai's population—had put their names on a list of people interested in going to the United States. To be admitted to the United States, a refugee must meet two criteria: he must show that he fled his country out of a "well-founded fear of persecution," and he must be of "special humanitarian concern" to the United States. These criteria fit the Hmong. But did they want to come? In Bangkok, observers in the diplomatic community weren't convinced that there had been a dramatic change in attitude, despite the list of 10,000 names. The Hmong had a habit of going through all the stages of getting approved and then just staying put. One INS officer was openly skeptical. "I'll believe it when they get on the bus," he said.

I decided to go to Ban Vinai to see the situation there for myself.



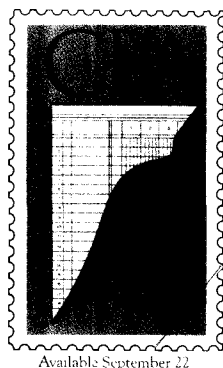
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TO A FIRST-TIME visitor Ban Vinai seems crowded and dirty. There is no running water or electricity in the huts. Children play in stagnant pools, and one is never far away from the stench of open sewers. Tetanus, typhoid, and tuberculosis take their toll on a people who traditionally believe that disease is caused by spirits and healed through complex rituals of exorcism. Yet in some ways conditions compare favorably with those in poor villages in Laos and Thailand: the United Nations High Commissioner for Refugees provides food, shelter, and water. A hospital, run by a team of Dutch health workers, provides medical care. There are English and vocational-training classes for adults, and an elementary school for the children. Markets sell everything from fresh fish and fruit to cosmetics and Chinese herbal medicines. There's a barber shop, several restaurants, a blacksmith, and a church, where a French priest, wearing a Hmong-embroidered vestment, gives sermons in Lao on the Holy Spirit, offering an alternative to the spirits, malevolent and benign, that populate the Hmong universe. There are even outdoor photo studios where one can choose the Swiss alps or the Taj Mahal for a backdrop.

In the neighborhoods women sit for hours on tiny wooden stools in front of their thatched-roof huts or tin-roofed longhouses, sewing *pan dau* while they listen to tapes from relatives on Japanese cassette recorders. Occasionally there's the sound of a gong. Somewhere in the camp a shaman—a rattle in one hand, a finger bell in the other, and a black cloth covering his face—chants and dances; he is gone on a journey to the spirit world to fight the evil forces causing sickness, pain, and death.

The outer appearance of traditional life, however, belies the tension within. In Ban Vinai the Hmong must weigh their options—to wait in Ban Vinai or go to the United States and get on with life—a process complicated by their three-way split in allegiance: to those still in Laos, to their families in camp, and to relatives in the United States.

In a 1986 survey conducted in Ban Vinai almost 80 percent of the Hmong respondents said that they were uncertain about their future. Most were waiting for someone—a clan elder, an older relative, Hmong leaders in the United States—to decide what to do. Last year, after eleven years of indecision, forty-five-year-old Xiong Pao Vang finally

made up his mind to go to America. A slight, worried-looking man who appears to be ten years older than he is, Xiong (pronounced *Shong*) had been a soldier in Vang Pao's army for five years before the Communist takeover in 1975. He left Laos, he said, because Vang Pao left. He had two daughters in Minnesota who wanted him to join them. He hadn't gone to the United States earlier because he had two brothers still in Laos. When he was a boy, his father told him never to go anywhere without his brothers. Once before, in 1979, he had been approved by the INS and was ready to go, but one afternoon a few days before the departure, a snake crossed his path. "If my father's spirit wants me to stay and wait for my brothers, then move," he told the snake. The snake moved, and Xiong stayed in Ban Vinai for another seven years.

But this time he really wanted to go, he said. He was afraid that the Thais were going to send the Hmong back to Laos. I asked him what would happen if another snake crossed his path before he got on the bus. The interpreter translated, and for the first time Xiong smiled.

"I'll just keep walking," he said.

Most young people I talked with knew exactly what they wanted. They wanted to go to the United States, but in many cases their fathers were undecided, despite fears that time was running out for them. Among the patriarchal Hmong, the authority of the oldest male in the family is undisputed.

I spent my last afternoon in Thailand talking to Virachai Naewboonnien, a Thai refugee official in Bangkok. We sat in a conference room at opposite ends of a table; on the wall was a map with colored pins indicating the locations of refugee camps. There were twenty pins. "Thailand wants to bring the refugee problem to an end," he said. "Our main objective is not to have any refugees left over. Local settlement is not an option: either they go to third countries or they go back to their own."

He made the point that every Thai refugee official makes: Thailand set up the camps in exchange for promises that the United States and other Western countries would resettle the refugees, but eleven years and 650,000 refugees later, there was no end in sight to the refugee problem. "Even if the United States agreed to take all the Hmong," I said, "how do you know they'll go?"

"They'll go if they think it's the last bus out."

THE HMONG HAVE been refugees for as long as they can remember. Like many people with no written history, they pass on their experiences through stories and songs. There are Hmong elders who can go on for days singing about events—real and imagined—that took place hundreds, even thousands, of years ago. They sing of a time "of darkness and light" that suggests the Hmong's origins were in Mongolia; the flight several thousand years ago to China, where, it is said, they were ruled by a Hmong king with magical powers; the betrayal of the king by a beautiful Chinese princess and the subsequent loss of the kingdom; dispersion throughout China, where five million Hmong still live today; the flight of hundreds of thousands of them to Vietnam and Laos in the middle of the nineteenth century, following a Chinese campaign to subjugate the fiercely independent mountain people. Songs and stories tell of a messiah, in some versions a man "of human form but not of human parents," who will one day come to lead them back to their lost homeland.

One hundred years of relative peace for the Hmong in Laos ended when Laos, situated between Western-aligned Thailand, Cambodia, and South Vietnam and Communist China and North Vietnam, became a key domino in the Cold War. Even so, when President Dwight D. Eisenhower's Secretary of State, John Foster Dulles, called Laos "a bastion of the free world," the few people in the free world who had heard of Laos were startled to hear that their security depended on a small landlocked country whose native people, the easy-going lowland Lao, showed little appetite for war, hot or cold. The Hmong, however, *were* willing to fight.

In 1959 the CIA began to recruit Hmong agents to gather intelligence on North Vietnamese movements in Laos. By the late 1960s, as the war in Laos intensified, Hmong were doing the bulk of America's fighting—and dying—there. According to one estimate, the Hmong suffered a casualty rate ten times higher than that of the Americans fighting in the Vietnam War. When they talk about the war, the Hmong often mention a promise that was made to them by the Americans. The promise wasn't written down, but almost every Hmong can repeat some version of it. According to a study by the U.S. Department of Health and Human Services, "Though there are several ver-

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sions of the 'Promise,' there can be no doubt that assurances were made to support the Hmong during the war, and to provide assistance in the event Laos was lost to the communists."

IN LATE 1986 AND early 1987 the question facing refugee officials at the State Department was how many Hmong to admit under the 1987 Indochina-refugee ceiling of 32,000. With the Hmong there is the question of their impact on the United States to consider. If past trends hold, just under half of all new arrivals will join relatives in California's central valley. Another 30 percent will end up in Minnesota and Wisconsin. The problems of Hmong resettlement a few years ago are enough to give pause to even the most enthusiastic advocate for the Hmong. But there is good news, too: twelve years after the first Hmong refugees came to the United States, the Hmong community is showing signs of success. In the central valley, welfare rates remain high. But in Minnesota, where there are so many Hmong that some call it *Hmongesota*, Hmong welfare rates have begun to fall, and in Georgia, Texas, Rhode Island, Nebraska, and North Carolina the Hmong have shown that when jobs, community support, and strong Hmong leadership are available, they can do as well as other refugee groups. In Morganton, North Carolina, about 300 Hmong have found a home in the foothills of the Blue Ridge Mountains. Almost all the families are self-sufficient, and many have bought their own homes. In many Hmong communities in the United States, Hmong youths are doing well in school, and more than a few are going off to college, repeating the traditional immigrant pattern of second-generation success. And as the result of a government-funded education program for Southeast Asian refugees bound for the United States, arrivals are entering with at least some knowledge of English and a basic understanding of what to expect in the United States.

Even so, can American communities handle a new refugee influx, even a moderate one, at a time when there appears to be a public weariness with refugees? "Compassion fatigue" is the elegant phrase that was coined to describe the current mood toward refugees. (America has been called "a nation of immigrants that is afraid of foreigners" by one refugee advocate.) But if there is compassion fatigue in America, it doesn't affect the people who work with

the Hmong. Even in the central valley, the site of the biggest Hmong community in America, the problem isn't compassion fatigue but resource fatigue. With an unemployment rate twice the national average (caused in part by a farm crisis), the central valley has been having a hard time taking care of the Hmong who have already settled there. But the area has made room for more than seventy ethnic groups, and has a long history of helping immigrants. The prospect of more Hmong concerns but doesn't alarm county officials.

"We believe in the resettlement of the Hmong," said Rod Anaforian, a city councilman in Fresno, where one in ten people is a Southeast Asian refugee and where, as elsewhere in the country, federal funding for next year's refugee programs is facing possible cutbacks. "The Hmong have a home here—almost every Hmong in Ban Vinai knows where Fresno is. We aren't going to close the door to newcomers, but at the same time, the federal government should acknowledge the special problems of the Hmong and provide us with the resources to help these people."

Early this year State Department officials reached a decision: the United States would take up to 8,900 Hmong in 1987, more than twice the number admitted in any year since 1980. However, this did little to satisfy the Thai government, since the increase in Hmong admissions was not matched by an increase in the overall Indochinese-refugee ceiling for 1987.

It isn't clear at what point Thai refugee officials learned about the 8,900 figure. What is clear is that the situation in Thailand had become tense—charged with distrust and suspicion. "We're in it for the long haul," U.S. refugee officials told the Thais, but Thailand had come to feel that the haul was longer—and their portion of it heavier—than they had bargained for.

For the Hmong the year started bad and turned worse. In February reports reached U.S. refugee advocates of 1,400 Hmong—mostly women and children—stranded in a remote jungle camp near the Lao border in northwestern Thailand. Later accounts of their condition varied from grim to dreadful.

In late February a five-member study team of Indochinese Americans—all former refugees—returned from a tour of refugee camps in Southeast Asia. At a congressionally sponsored press conference a few days later they reported that

border pushbacks had intensified, and that Thai guards in Ban Vinai were extorting money from some of the undocumented residents—Hmong refugees who had sneaked into Ban Vinai to join relatives. Those who complained about the payments were threatened with repatriation.

On March 4 and 11 the refugee situation in Thailand was the focus of House subcommittee hearings. One of those who testified at the March 4 hearing was Roger Winter, the director of the U.S. Committee for Refugees, who had investigated pushbacks on the Thai-Lao border and had warned in a report almost a year earlier, "The threat of involuntary repatriations . . . appears to be increasing." Winter presented the committee with the names of 362 Hmong who had been turned away from Thailand and urged the United States to "intervene more vigorously" to stop the forced returns.

At the March 11 hearing a State Department refugee official couldn't confirm or deny Winter's information but said that "the United States is adamantly opposed to the involuntary return of anyone anywhere."

Four days later thirty-eight undocumented immigrants were rounded up in Ban Vinai and sent back to Laos. This wasn't an ordinary pushback, refugee advocates pointed out. It was the first time the Thais had repatriated Hmong from the sanctuary of a UN refugee camp. A State Department protest ("possibly the most serious instance of forced repatriation from Thailand since 1979") prompted an angry Thai response ("If the U.S. is so concerned with the human rights of 38 Hmong, it must be even more concerned about larger groups.") Another series of pushbacks brought the situation to the brink of crisis.

Noting that asylum in Thailand is contingent on the continued opportunity for resettlement in the West, refugee advocates called for a long-term commitment to solving the problem. On March 23 Senator Mark Hatfield, of Oregon, introduced a bill that would maintain for the next three years an Indochinese-refugee ceiling of 28,000—1,000 more than the anticipated 1988 ceiling. The bill also calls for increased efforts to protect refugees in Thailand, and earmarks 9,000 slots each year for the "long-stayers." The bill is unlikely to pass in its present form; many find fault with the inflexibility of a three-year admission

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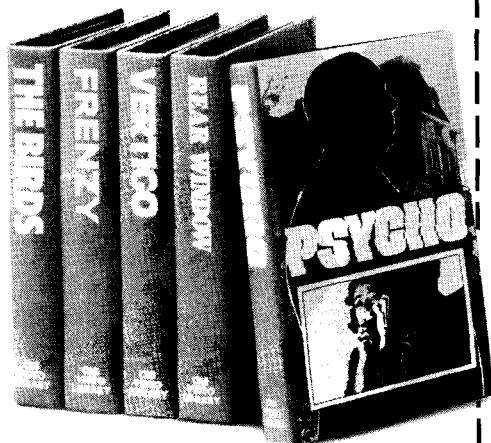
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number for specific groups of refugees. But the bill has served the temporary purpose of relieving pressure on refugees in Thailand—it has, in other words, gotten the Thai government's attention. A promise by Secretary of State George Shultz at a June conference of the ASEAN nations that the United States will "continue to resettle refugees in substantial numbers" has served the same purpose. Yet the potential for crisis remains. And while refugees in Ban Vinai don't appear to be in any immediate danger, most observers believe that the turning away of Hmong along the Thai-Lao border quietly continues.

LAST SPRING A friend who works in Ban Vinai called me from Bangkok. Almost all the Hmong approved by the INS had gotten on the bus, he said.

What happens to the remaining 50,000 Hmong in Thailand—38,000 still in Ban Vinai and about 12,000 in Chiang Kham—largely depends on the United States. This fall refugee officials will present the Administration's 1988 proposal for U.S. refugee admissions to the House and Senate subcommittees on refugee affairs. The Administration is expected to propose an Indochinese-refugee ceiling of at least 27,000 (plus 8,500 Vietnamese leaving Vietnam directly through the Orderly Departure Program). Observers believe that the Administration is prepared to propose a tentative Hmong-admissions number close to this year's 8,900.

Although there is some congressional support for a moderately high Hmong ceiling, refugee advocates have been anticipating with some anxiety the consultations between the Administration and Congress. The consultations have been scheduled to take place shortly after the arrival in July, August, and September of more than 5,500 Hmong—over half the Hmong arrivals for fiscal year 1987—a situation that is sometimes referred to as the "Hmong bulge." The bulge could have been avoided if the processing of the 5,500 Hmong applications had been done earlier in the year, say refugee advocates, who worry that the arrival of so many Hmong in so short a time could create a backlash, particularly in the central valley.

Resettlement in the United States may not be a happy solution for the Hmong. But right now there are no other options: the Hmong don't want to go back to a Vietnamese-controlled Laos,

and as long as there is an active resistance with ties to Ban Vinai, Laos probably won't take them. Permanent settlement of the Hmong in Thailand is such a sensitive issue with the Thais that even to bring it up at this point could jeopardize the safety of Hmong asylum-seekers as well as of those in Ban Vinai.

Resettlement in the United States isn't the best solution—it's the least bad. And these days that's as good as it gets for the Hmong.

—Donald A. Ranard



MARKETING

WHAT'S IN A SMELL?

The perfume industry is now mainly an American one, and it has a problem or two

ELIZABETH TAYLOR has drawn headlines in recent months for becoming two thirds of her former self, but the attention will soon shift from Taylor's midriff to Taylor's nose, which has been professionally employed in the creation of Elizabeth Taylor's Passion, one of a dozen new women's fragrances being launched in the United States this fall. Late this month Taylor will wind up a nine-city U.S. tour of high-class depart-

ment stores and specialty shops where Passion—a blend of gardenia, jasmine, rose, ylang-ylang, patchouli, and a number of other scents—can be bought for about \$200 an ounce, in a limited-edition signature package. Taylor, who is fifty-five, considered putting her name on lines of furs and lingerie, and even on a line of caftans like those she once wore, but decided to produce perfume instead, because fragrance had always been a particular interest of hers. Indeed, she has for years been wont to mix and match retail fragrances, to piquant effect, in her dressing room. Parfums International, which markets Passion for Chesebrough-Pond's, is expected to spend \$10 million in the next three months alone to advertise and promote Elizabeth Taylor's perfume. By year's end, the company predicts, some 30 million American women will have been exposed to Passion. A significant fraction of them, the company hopes, will also have succumbed to it.

More fragrance is bought in the United States than in any other country—not surprisingly, perhaps. But also more and more "straight juice," as it is called, is manufactured here, and it seems clear that the locus of the perfume industry has at last crossed the Atlantic. In the period from 1984 to 1986 some seventy new fragrances were launched in the United States, as opposed to only forty in France. While much of the best perfume is still very French, just as much of the best wine is, there is a new pluralism in perfume which parallels that in wine. There is also a good bit of successful fakery, because scientists now know how to break down scents and then reconstitute them, and because American courts have ruled that no one can patent the way something smells.

The perfume industry does have its troubles these days. On paper it may seem to be in fine shape, because the dollar volume of sales of fragrance, which totaled \$2.5 billion in the United States in 1986, has been increasing during the 1980s at about seven percent a year. But this statistic hides the fact that the amount of perfume sold is actually declining; the price of fragrance is simply rising faster. It is a hoary rule of marketing that a rise in price that puts a commodity out of reach of the many may increase its attractiveness to the few. Unfortunately, the few are becoming somewhat fewer. The market for prestige perfumes is pretty much restricted to what industry economists call "got-

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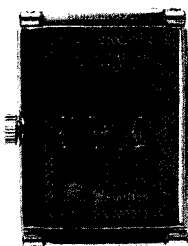
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rocks ladies"—women in households with annual incomes over \$40,000 and who are over forty but still young enough to have a sense of smell (Elizabeth Taylor, for instance). But many affluent Baby Boom women, who are about to meet these demographic criteria, do not fit the classic gotrocks-lady mold. They prefer to spend their money on things other than fragrance. William Fitzgerald, an economist and marketing consultant in Maryland who specializes in the fragrance industry, says that a glut of new fragrances in the 1980s—there are some 800 fragrances currently on the market—has led to a sense of boredom among consumers. "The cachet, the romance, of fragrance has been crimped in this decade," he says. Meanwhile the current group of gotrocks ladies is not getting any younger. All told, the number of American women who use fragrance at least occasionally has declined from 60 million in 1980 to 55 million today.

The perfume market has always been a two-tiered one, with a relatively small number of buyers of small bottles of real perfume and eau de parfum that cost large amounts of money, and a larger number of buyers of somewhat larger bottles of cologne and eau de toilette that are considerably more affordable but not always cheap. The two tiers have been moving apart, and in the process each has also become unstable. At the top of the line the rapid introduction of new perfumes, such as Giorgio, Obsession, and Passion, has created enormous turbulence and, from a businessman's perspective, enormous risk. At the bottom of the line copycat versions of top-of-the-line fragrances have undercut, by underpricing, the old mainstays of the discount-house and drugstore trade. All of this has occurred even as Americans, who now bathe with some frequency, have grown increasingly fond of smelling like themselves.

IOWE MY INTRODUCTION to the world of perfume—my experience of it had consisted mainly of a trip just before Mother's Day each year to the cosmetics counter at Rexall Drug—to a recent conversation with Deborah Sampson Shinn, who is a guest curator at the Museum of the City of New York and the person chiefly responsible for gathering the objects for the exhibit "Scents of Time: Reflections of Fragrance and Society," which opens in New York this month and which will travel next year to Wash-

ington, Chicago, and Los Angeles. I learned a lot of things from Shinn: for example, that the making of perfume was primarily an Italian industry until Catherine de Médicis, of Florence, moved to France in 1533, and brought a perfumer with her; that Louis XIV was partial to potent animal scents, which he apparently deemed less noisome than the odors he was trying to conceal; and that men wore as much fragrance as women until the 1890s, when Oscar Wilde, an ardent proponent of lavender water, was put on trial for the crime (as it then was in Britain) of homosexuality. Today, sales of women's fragrances are double those of men's, and 80 percent of all men's after-shaves and colognes are in fact bought by women, as gifts. A quarter of all women's fragrances are bought by men, also as gifts, and most such purchases by men occur during the annual perfume "season," which begins right around now and ends, like many another season, on the last shopping day before Christmas. When a man buys a woman perfume, three times out of ten it's the only one that most men can readily think of: Chanel No. 5.

Perfume is made out of natural oils, scented chemicals, various fixatives, alcohol, and sometimes distilled water. The person who creates a scent is known in the trade as *le nez*—"the nose"—but these days the nose is as likely to be a fragrance house (which "ghostwrites" a scent for its client) as it is an individual perfumer on the payroll of Calvin Klein or Charles of the Ritz. The perfumer works with a palette of about 5,400 raw materials—400 natural oils, extracted from flowers, roots, and grasses, and 5,000 aroma-chemicals, which are either reconstitutions of natural scents or scents, such as hawthanol and hexalon, that do not occur in nature. Aroma-chemicals were invented not only because they expand a perfumer's resources but also because natural oils are expensive. A pound of rose absolute, for example, costs \$1,300, and must be extracted from no fewer than six million handpicked rosebuds. A pound of synthetic rose costs only about \$500. What binds together a perfume's numerous raw materials, of which there may be as many as 1,200, is the fixative. There are a number of synthetic ones, but civet, a secretion of Ethiopia's civet cat, is the natural fixative of choice. Others include castoreum (a secretion of the Canadian beaver), musk (a secretion of the Himalayan musk deer), and amber-

gris (which is found in the digestive tract of the sperm whale).

The finest perfumes are still made the old-fashioned way, more or less, but however strange and exquisite the process of manufacturing, the process of packaging and marketing has always been just as exquisite and strange (and has accounted for most of the price of the best fragrances). In today's perfume market, which industry analysts describe as mature, newcomers have only two to three years to make a dent with their marketing strategies. In the past few years Obsession, by Calvin Klein, and Giorgio, by Giorgio of Beverly Hills, have taken very different routes to success in the prestige-perfume market.

Calvin Klein hewed hard to a well-established principle in fragrance marketing and spent a great deal of money on advertising. The company launched Obsession in 1985 with a \$17 million promotional campaign featuring sexually provocative photographs of nude men and women. The advertisements generated lots of free publicity and \$30 million in sales in Obsession's first year. In a 1986 independent survey 33 percent of all department and specialty stores reported that Obsession was their best seller. Many other fragrance houses, including older, established ones like Nina Ricci, which makes L'Air du Temps, have employed marketing strategies similar to that for Obsession. The hottest new perfume in 1986 was, of course, Poison, which Christian Dior launched with an \$11 million advertising and promotion budget; Dior will have spent \$13 million more to promote Poison by the end of this year. Glorious, the new entry from Gloria Vanderbilt, was launched last April with a \$14 million advertising and promotion campaign.

Giorgio of Beverly Hills, in contrast, adopted a strategy that had never been tried successfully before. Giorgio was launched in 1981, during an economic recession and amid a lull in new fragrance introductions, as a mail-order perfume. Operating on a relatively barebones budget, Giorgio of Beverly Hills placed scent-strips of its brash new fragrance in upscale women's magazines like *Vogue* and *Harper's Bazaar*, and included a bind-in card. Orders came swiftly and in volume, kicking off the era of aromatic magazines. The popularity of its fragrance established, Giorgio followed up with a splashy exclusive retail launching at Bloomingdale's in New York. What made Giorgio such a phe-

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We envision a vast global network of networks, the merging of communications and computers, linking devices so incredibly capable, they will bend to the will of human beings, rather than forcing humans to bend to theirs.

Obviously, no one company, no one nation, can universalize the Information Age. It will take the best minds of many companies and many nations. The needs of our customers are creating imperatives for our industry. We need common standards and compatibility. We need national and international policies that are open



and encouraging. And we need to make information machines far easier to use.

We have the science to construct the systems now. The technology is rapidly taking shape.

We are dedicating our minds, our energy, our resources—our future—to making Telecommunity a reality. To bringing the best of the Information Age to the world.

Our vision has its roots in AT&T's heritage of service. Just as the

telephone extended the reach of the human voice, Telecommunity will extend the reach and capability of minds and talents.

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nomenon in the industry, according to Allan G. Mottus, a marketing consultant in New York, was that it "created consumer demand first and then got the stores to follow."

Whatever the marketing strategy, the stakes tend to be very high and the cash-in period increasingly short. Camille Duhe, the editor of the health and beauty trade journal *Product Marketing*, says, "The hot new fragrance seems to be the only thing the consumer wants at the moment. Then there's another hot new product six months later and *that's* all the consumer wants." A lot of the newer fragrances have shown little staying power. Also, it seems that new fragrances don't expand the market for perfume. They just (perhaps temporarily) eat into everyone else's market share.

Some perfume companies have decided that trying to compete dollar for dollar with their rivals could prove suicidal. They have revived "limited distribution" as a way of fostering an aura of exclusivity as well as of holding down costs. Many manufacturers of prestige perfumes have found that launching a new fragrance in a big way nationwide doesn't make sense anymore, because retailers demand considerable concessions in the form of free samples, live models to walk the floor, and newspaper advertising. Knowing that the market for perfumes that cost at least \$150 an ounce is restricted to perhaps a few thousand people each in communities like Greenwich, Grosse Pointe, and Palm Springs, they have elected to tout the relative unavailability—and thus the utter desirability—of their products. By the end of this year, for example, Christian Dior plans to decrease by one half the number of outlets where its fragrances can be bought. *Women's Wear Daily* made *exclusivity*—"one of the most important words in the fragrance industry"—the theme of its semi-annual fragrance review last spring.

Marketing strategies alone cannot, however, create a loyal base of repeat customers. "There are so many fragrances in the market," says Steve Raphael, the director of fragrance development for J. Manheimer, Inc., a fragrance and natural-oils house in New York City. "To get the consumer to try your perfume, the packaging has to be brilliant, the name has to be brilliant, the advertising has to be brilliant. But what will bring the customer back to buy it again is not the packaging, the bottle, or the advertising. It's the scent."

IF WHAT CONSUMERS really want is the scent, Mark Laracy believes, then they should buy fragrances from him. Laracy is the father of "knockoff" perfumes—imposters that smell almost exactly like one or another of the prestige brands but sell for less than half the price. Knockoff perfumes have been enormously successful. As Laracy points out, prestige brands "have created mass awareness and demand for a product that very few women can either find or afford." In 1981, after being fired as a group vice-president in the fragrance division of Charles of the Ritz, Laracy established his own company, Parfums de Coeur, and began to market Ninja, a low-priced version of Opium, a popular Yves Saint Laurent fragrance. Laracy has since introduced six other women's fragrances, with Primo, his knockoff of Giorgio, the most successful to date. Parfums de Coeur had retail sales of \$100 million last year and an approximately 65 percent share of the rapidly growing knockoff market. Most of its fragrances are sold at drugstores, discount stores, and department stores of the second rank.

Comparative advertising is Laracy's trademark. The copy on the Primo package reads, "If you like Giorgio, you'll *love* Primo," and the advertising emphasizes the difference in price between the Laracy fragrance and the prestige brand. While Giorgio cologne spray sells for about \$45 an ounce, a one-ounce bottle of Primo cologne can be had for \$7.50. Laracy says that he spends as much per ounce on raw materials as do the manufacturers of the prestige brands he is copying. "The juice in the bottle is an extremely low percentage of their overall cost," he explained to me recently. "We can charge so much less because we have simple packaging. We're not spending twenty million dollars in advertising and promotion. We deal with chain drugstores, who are less costly to do business with. And we take lower profit margins than [the prestige manufacturers] do."

Needless to say, the perfume establishment has not embraced Laracy and his kind, and some perfume manufacturers have gone to court to defend their products. Last year Calvin Klein sued Parfums de Coeur for trademark infringement in marketing Confess, a knockoff of Obsession. In a preliminary ruling a federal judge in Minneapolis has said that Parfums de Coeur's comparative slogans are not illegal but that the

company has not gone far enough in letting customers know that its product is not the original Obsession. Laracy has responded with an antitrust suit charging that Calvin Klein persuaded a scent-strip supplier to stop doing business with Parfums de Coeur. Laracy says of Obsession that the fragrance is itself an imitation—"nothing more than [Guerlain's] Shalimar with a twist."

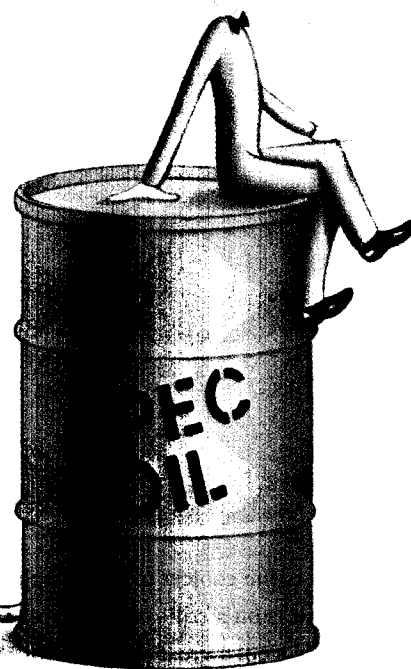
Despite the court battles and the war of words, Laracy and almost everyone else in the industry agree that knockoffs are a competitive threat not so much at the prestige department store, where half of all fragrance business is done and where designer perfumes have their base, as at the drugstore. The consumer who buys a knockoff scent generally does not have the money or the desire to spend \$150 for an ounce of perfume anyway. Knockoffs are attractive to the person who would otherwise buy the relatively moderately priced products of, say, Coty and Revlon. Because these are more expensive than the knockoff scents that are beginning to supplant them, drugstores saw their income from sales of fragrance actually decline in 1986.

WILLIAM FITZGERALD, the economist, forecasts only nominal growth for the fragrance industry over the next decade. He predicts that poor showings will winnow out some of the minor players and discourage new entrants, thereby concentrating market share among a smaller number of companies. He is not very complimentary about a lot of the prestige perfumes that have been created in recent years—"With the exception of Giorgio, Obsession, and Poison, they have been dogs in terms of smell"—and he is not very optimistic that, in the eyes of most consumers, fragrance can retain a glamorous image for very much longer. In this regard the availability of knockoffs is clearly taking a toll. "The public," Fitzgerald says, "is being told more and more that you might as well go into your kitchen and mix up a batch."

That, of course, is just what Elizabeth Taylor did, sort of, and now she wants to sell the result for \$200 an ounce. The way things are going, industry analysts say, Passion will have considerable difficulty making a splash. But if it does, and you like it, you'll probably love All the Way, or whatever the Passion knockoff scent is called. It can't be far behind.

—Timothy Kalich

How nuclear energy can help defuse the next oil crisis



Nuclear-generated electricity, still the fastest-growing major energy source in America, may be our best defense against another oil crisis.

More and more energy experts are asking the same question: How long before another oil shock torpedoes our economy and threatens our national security?

Oil turmoil

Signs of the next energy crisis:

- U.S. oil imports soared last year, costing the country \$27 billion. This year, America's foreign-oil bill is expected to grow even bigger.
- Many oil analysts are saying that in three years or less, as much as 50% of all the oil used in the U.S. will have to be imported. That's a higher percentage than we have ever imported before, even during the oil crises of the 1970s.

- A whopping two-thirds of the world's oil lies under the sands of OPEC nations.

The need for nuclear

Nuclear electricity is a *domestically produced alternative to foreign oil*. Not just at the power plant, where nuclear energy is used instead of oil to generate electricity, but wherever Americans choose electricity (instead of oil) to heat their homes or run their factories.

The 1987 special report on U.S. energy security, ordered by the President and prepared by the U.S. Department of Energy, states that without electricity from nuclear energy, the United States "would be using more oil, paying more for each barrel of it, and feeling much less secure about its energy outlook."

The more we use our own nuclear electricity, the less we'll have

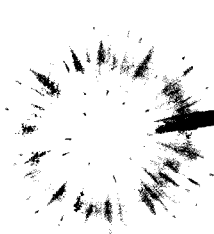
to rely on energy from unstable regions of the world.

Nuclear energy for a secure future

With over a hundred operating plants in the U.S., nuclear energy is now our second leading source of electricity. But in spite of all that we have accomplished, the threat of foreign oil dependence remains. Difficult choices still need to be made, but one fact is clear: the more we develop our own energy sources, the more we can control our own destiny.

For a free booklet on energy independence, write to the U.S. Council for Energy Awareness, P.O. Box 1537 (FQ18), Ridgely, MD 21681. Please allow 4-6 weeks for delivery.

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GREAT AD COPY IN AMERICAN POETRY: AN ANTHOLOGY

BY DANIEL PENRICE

Impassioned in our/pursuit of her,/we love the/innocent ingenue/of her,/that little/quelque chose/under her flirty/evening clothes . . . /Petticoats of/tulle, lace,/ribbons and bows./Exclusively ours,/in Intimacies on/Boulevard Four.

—advertisement for Bloomingdale's,
The New York Times (1986)

April is the coolest month, needing
Sweaters on a still-wet golf course, making
Lambswool a great spring fabric, meaning
Have we got some sportswear for you!
Winter? Wool keeps you warm, watching
The bowl games or lazing around, something
In cashmere might just suit you too.

In the aisles the men find V-necks, crews,
Shopping at Saks Fifth Avenue.

—T. S. Eliot,
*After Strange Ads: Selected Fragments From
Discontinued Print Media Campaigns*
(suppressed, 1966)

The appearance of a beer that pulls its weight;
Less filling, but it still tastes great.

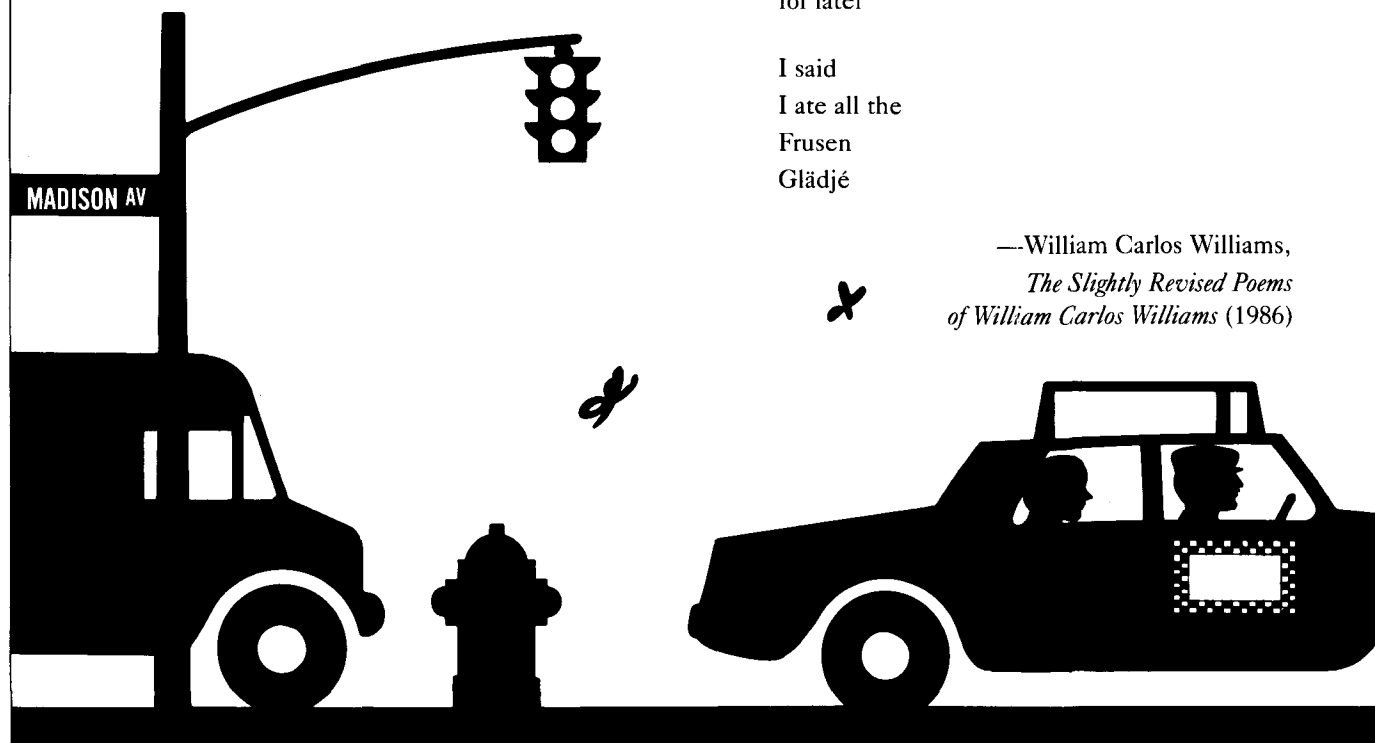
—Ezra Pound,
The Twelve-Ounce Book of Lite Verse (1977)

I have eaten
the Frusen Glädjé
that you had in
the freezer

and which
you were probably
saving
for later

I said
I ate all the
Frusen
Glädjé

—William Carlos Williams,
*The Slightly Revised Poems
of William Carlos Williams* (1986)



I have done it again.
One day in every ten
I manage it—

The alarm bell rang
And yet they had to call and call
And peel the covers off like sloughed-off
skin.

Sleeping
Is an art, like everything else.
I do it exceptionally well.

It used to feel like hell
Until my Sealy mattress
Changed it all.

Out of the bed
I rise feeling swell.
I'd better call a cab to take me in.

—Sylvia Plath,
Posturepedic Poems (1979)

I saw the best minds of my generation destroyed by
indigestion, bloated hysterical gascous,
dragging themselves into cheap Mexican restaurants at
midnight gorging on chiles rellenos and warm beer,
sour-stomached poets hallucinating Ferlinghetti with
tomato and meat sauce chopped onions on a Coney
Island hot dog of the mind,
who fingered greasy bags of French fries and fell off
their stools at the counters of coffee shops,
clutching crullers poring over Plotinus Poe and
Prudhomme, screaming for the heavenly caffeine
fix, the ultimate java, and the ulcer-wracked
intoxicated Zen-teriyaki visions of how do you
spell "relief"?

Heartburn! Flatulence! Acid indigestion! Whole nights
in rat-infested tenements wishing they'd held the
pepperoni on the large!
Heartburn whose cousin is gastroenteritis!
Visions! Ecstasies! Roloids! R-O-L-A-I-D-S!

—Allen Ginsberg,
Reality Blintzes (1984)





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*America has let its infrastructure crumble, its foreign markets decline, its productivity dwindle,
its savings evaporate, and its budget and borrowing burgeon.
And now the day of reckoning is at hand*

THE MORNING AFTER

BY PETER G. PETERSON



IN 1981 RONALD REAGAN TOOK THE HELM OF A NATION whose economy was reeling, with inflation in double digits, the prime rate hurtling past 20 percent, and the national spirit sagging into bewilderment. Today other countries gaze enviously over an American economic landscape that shows little trace of past convulsions and, indeed, seems to burst with new businesses, new jobs, new Dow Jones records, and a newfound confidence.

Yet, six years after the radical reforms of Reaganomics got under way, Americans are about to wake up to reality: for some time now the foundations of their economic future have been insidiously weakening. This awakening is currently being delayed by the widespread preoccupation with "competitiveness." Under the prodding of a trade balance in manufactured goods that collapsed from a \$17 billion *surplus* in 1980 to a \$139 billion *deficit* in 1986, including the first deficit ever in high-technology goods, and with additional shoves from a shaky dollar, from nervous financial markets, and from stagnating real wages, the so-called competitiveness problem is quickly climbing to the top of America's political agenda.

What does *competitiveness* mean? In many American households today it means worry about future living standards and about whether one's children, ten to fifteen years into their careers, will be able to out-earn their parents. In corporate boardrooms *competitiveness* means the executive nightmare of seeing Americans gorge themselves on goods from foreign firms.

For many blue-collar workers *competitiveness* has an even crueler meaning: layoffs and the understandable desire to get even with the anonymous forces behind them. Over

the past three years America's import deluge has resulted in pink slips for one to two million domestic manufacturing workers each year. More than a third of them remain indefinitely out of work; more than half the rest have taken pay cuts of 30 to 50 percent in new jobs that cannot make use of their experience. Economists are looking closely at this dislocation for signs of structural disintegration in U.S. communities, and of the decay of skills and habits that once made manufacturing an engine of U.S. comparative advantage in world trade.

In Washington *competitiveness* seems to mean both nothing and everything. Some senators advocated a speed limit of sixty-five miles an hour on rural highways as a "competitiveness" measure. House members are justifying yesterday's jobs bills by renaming them "competitive adjustment programs." And lobbyists are arguing for stricter world cartels on everything from shoes to semiconductors on the grounds that such agreements will improve our "competitiveness." After announcing in its 1987 Economic Report of the President that recent U.S. performance in manufacturing has vindicated our competitiveness, the White House has refused to be upstaged on the issue, even going so far as to claim that the Strategic Defense Initiative is "pro-competitive."

Democrats are demanding that the Administration get back America's "rightful share" of jobs and wages through protectionist measures. If imports are cut back, they say, the jobs and income generated by producing for American consumers will be miraculously transferred from foreign to U.S. firms. Get tough on the *other* guys and *our* situation will improve—that seems to be the general idea. What all public statements on "getting back" our competitiveness neglect to mention is that Americans will have to give up something to get it back. Over the next few years policymakers will wake up to the true cause of our "competitive-

The author wishes to thank Neil Howe, the research director of Americans for Generational Equity, for his considerable help in preparing this article.

ness" predicament: the incalculable damage we have inflicted on our economy in recent years.

An x-ray of the damage would show its antecedents stretching far back in the past, across several Administrations. Our national preference for consumption over investment—the root malady—did not begin with the Reagan Administration. Still, that set of policies loosely known as Reaganomics has certainly worsened the damage. In the finest tradition of Euripidean irony, measures meant to save us have worked in the end to afflict us, so much so that even our nation's non-economic hopes—cultural, social, and strategic—have been clouded by our disastrous fiscal mismanagement. It has been a hard lesson in the law of unintended results.

Intent: From a decade of feeble productivity growth (0.6 percent yearly in the 1970s) and early signs of rising poverty rates, we entered the 1980s flush with expectations of "supply-side" prosperity. *Result:* We have ended up with still feebler productivity growth (0.4 percent yearly from 1979 to 1986) and, despite a debt-financed rise in personal income, with an upward leap in every measure of overall poverty. More important, we have witnessed a widening split between the elderly, among whom poverty is still declining, and children and young families, among whom poverty rates have exploded—a development with dire implications for our future productivity.

Intent: After a decade of worry about our low level of net private domestic investment (6.9 percent of GNP from 1970 to 1979) and an unsustainable real decline in the construction of public infrastructure, we wanted the 1980s to be a farsighted decade of thrift, healthy balance sheets, and accelerating capital formation. *Result:* We have ended up with by far the weakest net investment effort in our postwar history (averaging 4.7 percent of GNP from 1980 to 1986) and have acquiesced in the crumbling of our infrastructure. Moreover, far from renewing our saving habits or our balance sheets, or bolstering the "supply side" of our economy, the 1980s have turned out to be the most consumption-biased "demand-side" decade experienced by any major industrial country during the postwar era.

Intent: In 1980 American voters decisively endorsed a smaller and leaner federal government, with special exceptions for defense spending and for poverty-related "safety-net" benefits. *Result:* We ended up with a significantly higher level of federal spending in 1986 (23.8 percent of GNP) than we had in 1979 (20.5 percent of GNP)—with most of the growth concentrated in precisely what needed to be controlled: interest costs and entitlement benefits unrelated to poverty (or, to put it bluntly, welfare for the middle class and up). Federal interest payments on the national debt, \$136 billion in 1986, are now equivalent to the total taxpayer savings originally projected from the 1981 income-tax cut. As for federal benefits doled out regardless of financial need, these have grown from about \$200 billion in 1979 to \$400 billion in 1986. They totaled \$46 billion in 1968.

Intent: Entering the 1980s, we acknowledged that it was

bad policy to allow federal outlays to exceed federal revenues (with deficits averaging 1.7 percent of GNP from 1970 to 1979). We promised ourselves to do better. *Result:* We made the gap between spending and taxes wide beyond precedent (with deficits averaging 4.1 percent of GNP from 1980 to 1986, and rising to 4.9 percent of GNP, or 90 percent of all private-sector net savings, in 1986). Our publicly held federal debt is nearly three times larger now than it was in 1980. The projected deficit numbers have improved somewhat, but the much heralded future declines are premised on very rosy assumptions—no recession, for example, and an interest rate of 4.0 percent.

Intent: Americans voted in 1980 for leadership that emphasized greater global competitiveness and freer world markets as the most advantageous means of achieving balanced economic growth. *Result:* America's steep decline in savings during the 1980s has precisely reversed our intentions. We were promised a \$65 billion trade surplus by 1984; instead we suffered a \$123 billion trade deficit. Today, despite four years of extraordinary luck on the energy front, we have managed to twist the global economy into the most lopsided imbalance between saving (foreign) and spending (American) ever witnessed in the industrialized era. In the process—as we all know—we have transformed ourselves from the world's largest creditor into the world's largest debtor. In reaction to this shift the rest was inevitable: a more than tripling (from about five percent to 18 percent) in the share of U.S. imports subject to quotas, a colossal about-face in public opinion away from free trade, and the appearance of the most blatantly protectionist bills before Congress since the days of Senator Reed Smoot and Congressman Willis C. Hawley—despite the President's free-trade convictions.

Intent: America came into the 1980s longing to strengthen its military defenses and to project its power abroad more effectively. *Result:* We now find that budget deficits and an evaporation of the public's pro-defense consensus are drawing an ever tighter circle around all our strategic options. Not only must we now replay the wasteful 1970s by cutting short production runs on dozens of weapons systems, but once again we are about to demonstrate to the rest of the world that America is incapable of sustainable long-term defense planning.

Intent: More than just a defense build-up, Americans wanted a more assertive, unilateral foreign policy, a way to make ourselves stand tall again in our leadership of the free world. *Result:* Our fast-growing debt to the other industrial countries has diverted our diplomatic energy into placating foreign central banks with exchange-rate agreements (already by May of this year the interventions to support the dollar amounted to a staggering \$70 billion), into jawboning foreign governments to get their people to buy more of our exports, and into pawning off our Third World financial leadership onto more solvent economies. When action requires money, we now scrape our "discretionary" budget to procure the most meager support. We spend virtually nothing to try to avert the growing risk of



social, economic, and political chaos right at our doorstep in Mexico. An additional \$50 million was nearly considered too much to send to the Philippines after the 1986 democratic election of Cory Aquino. Even the Administration now publicly declares that our “foreign-affairs funding crisis” could mean “the end of U.S. global leadership.” Eight years ago no one imagined an austerity-led shift toward U.S. isolationism. Now we’re seeing it: an attempt to stand tall on bended knees.

Intent: Going into the 1980s, America’s deepest wish was that renewed economic strength might foster a renewed cultural and ideological strength and an ethic of saving, hard work, and productivity. We wanted to replace malaise with a confident sense of forward motion. *Result:* As the ideological enthusiasm of 1981 has gradually been worn down by economic reality, this wish, too, has foundered, leaving many of our political leaders as defensive and uncertain as those of a decade ago—and almost relieved to have us fixated on public and private scandals.

While many in the Administration believe or act as if there is no problem—and hence no need for a solution—others want to avoid all association with the dreaded next act of the economy. The Democrats’ fears show up in a darkly humorous story told by Democratic leaders: On

January 20, 1989, after the inauguration, President Reagan flies off to Santa Barbara. While he is in the air, the stock and bond markets crash, the dollar plunges, and interest rates soar. When Reagan lands in Santa Barbara, he announces to a swarm of reporters, “See, I told you the Democrats would screw up the economy!”

FOR THE TIME BEING, THE COMPETITIVENESS ISSUE remains a sort of curtain that Americans have hung between Reaganomics and the future. Neither political party dares to disturb it, for it allows every policy leader to keep our attention fixed on the trivial. For example, we are told to get furious about the trade effects of Japanese “dumping” of semiconductors or enthusiastic about the federal sale of loan assets as a way to plug the budget deficit, even though every expert denies that such things make much difference one way or the other.

The truth is that the most astonishing success of Reaganomics has been the myth of our own invincibility. This myth rests upon an enduring, bipartisan principle of American political life which in the 1980s has become gospel: never admit the possibility of unpleasantness—especially when it appears inevitable.

If you allow for unpleasantness, the mechanics of our trade deficit cease to be confusing. America runs a deficit because it buys more than it produces. By systematically discouraging measures that would boost its anemic net savings rate, the United States has acquired a structural deficit economy, meaning that at no stage of the business cycle can we generate the amount of savings necessary for minimally adequate investment. In 1986, in fact, nearly two thirds of our net investment in housing and in business plant and equipment would not have occurred without dollars saved by foreigners. (This level of investment was, to be sure, very low by historical standards, but without the capital inflows that accompanied our trade deficit in 1986 it would have been at the rock-bottom level of a severe recession year—lower, in fact, than during the recession years of 1980, 1975, 1970, and 1958.)

Washington debate over trade policy invariably neglects this elementary fact about our balance of payments: dollars that flow abroad to buy imports always flow back. (Since foreigners don't use dollars, they spend them as soon as they get them.) The only question is how our dollars flow back—to buy our goods and services or to buy our IOUs. During the 1980s we have decided that our biggest "export" should be IOUs. In 1986 we sold to foreigners, net, a total of \$143 billion in U.S. financial assets. Most of this consisted of stocks, bonds, T-bills, repos, bank balances, and other assorted paper, but a steeply increasing proportion of it was in real estate and other direct investment. This financial surplus was the flip side of our trade deficit, and if we had invested more at home, our surplus (in selling IOUs) and deficit (in selling trade goods) would have been even greater. As long as we cannot function without dollars saved abroad, exchange rates will fluctuate and interest rates will go up until we can attract those dollars back as loans. America must learn the basic distinction between capital flows for investment, which produce future return, and capital flows for consumption-related debt (for example, inflows to fund the budget deficit), which simply produce future debt service.

Correcting the current imbalance assumes that America can embark on an enormous shift from consumption to savings, and that this shift will not throw the world's economy into a tailspin, either by trade-led recessions in the other industrialized countries or by a chain of debt defaults among the less-developed countries (against whom we will be competing for trade surpluses). The alternative to this daunting scenario, of course, is the crash: a huge plunge in the dollar, unaffordable imports, a long recession, garrison protection-

ism, rampant inflation, and a marked decline in American living standards. The crash alternative prescribes that we pay off our debts through indefinite poverty. Can we avoid the crash? Yes, but doing so will require Americans to produce more while consuming less, and very close macroeconomic coordination among nations.

A European critic is reported to have said this about the link between America's fiscal and international deficits: "Your policies in the 1980s remind me of Christopher Columbus's travels. Like you, he didn't know where he was going. He didn't know where he was when he got there. And he didn't know where he'd been when he got back. All he knew for sure was that the whole trip had been financed with foreign money." Or, as Fred Bergsten, the director of the Institute for International Economics, recently quipped, "We finally understand the true meaning of supply-side economics: foreigners supply most of the goods and all of the money."

HOW AMERICA HAS REACHED THE END OF AN AVENUE with no pleasant exit is too long a story to be told here. But it is worth mentioning the key contribution made by two sweeping institutional developments that have taken place since the beginning of the 1970s. Both are what might be called changes in the rules of the game, rules that used to protect us from our own folly.

The first change has been in how we legislate federal budgets. Until fifteen years ago most federal spending was discretionary and unindexed, and federal tax policy still functioned under the very strong presumption that federal dollars spent should be paid for out of revenue. Large deficits, therefore, were difficult to achieve, because so many easy corrective options were available, both in spending and in taxing. The spending rule was eliminated in the early 1970s by our decision to transform most non-poverty benefit programs into untouchable and inflation-proof entitlements. The taxing rule was eliminated in the early 1980s by the jihad prayers of supply-side economists. Our deficit has thus become no one's responsibility. It is subject to "projection" but no longer to control.

The second big change has been the transformation of the world financial system. Back in the early 1970s we all accepted the basic postulates of the postwar Bretton Woods arrangements: fixed exchange rates and relatively little mobility of capital between nations. But the problem with fixed exchange rates was that they led to inconvenient balance-of-payment crises and didn't allow us the freedom to determine our own macro-eco-

What all public statements on "getting back" our competitiveness neglect to mention is that Americans will have to give up something to get it back.



conomic fate. So we closed the gold window in 1971 and shook ourselves loose from fixed parities by 1973. By the late 1970s and early 1980s, as the dollar sloshed up and down in ever larger waves, the world financial community accommodated our proud creation, the "float," and greatly liberalized the flow of capital across borders. The inevitable result has been to give every nation—especially the United States, as the owner of the world's reserve currency—much greater latitude to borrow as it pleases, with few restrictions other than the specter of national bankruptcy in the mind of the creditor. Fifteen years ago if the United States had begun to borrow the equivalent of 3.5 percent of its GNP from abroad, that would have created a national emergency, with Churchillian presidential addresses and wartime austerity measures. Today it creates—well, nothing, really. It's a number you can read about toward the end of the business section of your newspaper.

Most of these rule changes, with the exception of the new revenue-ignorant tax policy, took place before Ronald Reagan assumed office. Countless commentators have decided that Reaganomics represents a total reversal in inherited economic policy. But not so many years from now historians may simply be calling it an acceleration of inherited policy.

For staying the course while double-digit inflation was tamed—the only Reagan, or Reagan-Volcker, measure that seriously tested our threshold of pain—President Reagan deserves credit, as he does for courageously taking on the air-traffic controllers (which helped moderate the wage binge of the 1970s). He deserves credit as well for helping renew the popularity of markets and of entrepreneurial risk, here and abroad, and for persuading us to abandon the worst vices of regulation in such industries as airlines, banking, and energy. And he was surely correct in advocating cuts in marginal tax rates. We now know, for instance, that a maximum tax rate of 50 percent actually generates more revenue from the wealthy than a maximum tax rate of 70 percent, and provides real incentives for budding entrepreneurs. And for now, at least, Reagan has swept off the agenda such policies as national planning, wage-and-price controls, and wide-scale jobs programs.

We need, though, to be honest: as far as the basic allocation of our economy's resources is concerned, Reaganomics has either opted for or acquiesced in some of the worst, future-averting choices America has ever made, the full implications of which will not be known for years.

Vicious-Circle Economics

TO BEGIN TO GRASP WHAT REAGANOMICS HAS wrought, go back to the presidential campaign of 1980. It was the evening of October 28, and the eyes of many American voters were fixed on the television debate between Ronald Reagan and Jimmy Carter. Facing the camera squarely, Reagan posed his famous question: "Are you better off than you were four years ago?" The next day newspaper polls began to report a surge of sup-

port for Reagan, which led to a Reagan landslide one week later.

Now, imagine that Reagan had immediately followed up his question with this guarantee: "I promise to make you feel better. While real personal consumption per fully employed American hardly budged during the Carter presidency, I will make it rise by about \$300 per worker every year over the next six years. I'm also going to kick in another \$140 per worker per year that we in government will be spending mainly to repair the fall in our defense budget during the seventies.

"How will I do it? Well, let me tell you. I will not do it by increasing the quantity of real goods and services produced per working American to any appreciable degree. Instead, I will do it by diverting to consumption, between last year and 1986, about three quarters of the resources per worker now devoted to savings. Half of the money will be obtained by simply cutting domestic investment, and to do this we will run enormous federal deficits—so big that the federal debt the public has bought since the time of the Founding Fathers, about \$645 billion at the end of 1979, will have nearly tripled by the end of 1986. The other half will come from borrowing abroad. By 1986, in fact, our foreign borrowing alone will fund all of our net housing investment and a good 40 percent of our declining level of net business investment—freeing up by that year a fantastic \$2,100 of extra personal consumption per employed American. From the end of last year to the end of 1986 our national per-worker balance with foreigners will fall from a credit of \$989 to a debt of \$2,500; and our federal per-worker balance with creditors, wherever they are, will plunge from a debt of \$6,750 to a debt of \$16,562. I'll bet you're feeling better already. Thank you and good night."

This speech might not have won the presidency for Reagan. But it would have forecast precisely the performance of the economy during the candidate's subsequent term of office.

Reagan was right in the debate with Carter: the 1970s *were* tough by comparison with the 1960s. He was also right in observing that lower productivity growth and higher federal-benefit growth during the 1970s "squeezed out" defense spending in favor of privately earned spending on consumption. What looks quite significant in retrospect, however, is that at least the squeezing did take place. Few Americans watching the debate in 1980 ever imagined that over the coming decade we would just decide to ignore the law that limits consumption to production.

This is, quite simply, the dirty little secret of Reaganomics: behind the pleasurable observation that real U.S. consumption per worker has risen by \$3,100 over the current decade lies the unpleasant reality that only \$950 of this extra annual consumption has been paid for by growth in what each of us produces; the other \$2,150 has been funded by cuts in domestic investment and by a widening river of foreign debt. From 1979 to 1986 the total annual increase in workers' production amounted to about \$100 bil-

lion (in 1986 dollars). The comparable total for increases in personal consumption plus government purchases was about \$300 billion. That leaves a difference of a bit more than \$200 billion—just slightly more than the increase in annual federal deficits over the past six years. Deficit spending, of course, has been the primary engine behind this consumption bacchanalia—a superhot and super-Keynesian demand-side tilt that replaced the reviled “Tax and spend” motto of the 1970s with the new motto “Borrow and spend.” In every previous decade we consumed slightly less than 90 percent of our increase in production; since the beginning of the 1980s we have consumed 325 percent of it—the extra 235 percent being reflected in an unprecedented increase in per-worker debt abroad and a decline in per-worker investment at home. This is how we have managed to create a make-believe 1960s—a decade of “feeling good” and “having it all”—without the bother of producing a real one.

We cannot, of course, go on borrowing from foreigners indefinitely to finance our consumption. Soon we must stop and, at that point, decide whether to repay them the principal or to forever commit ourselves (and our children) to pay annual interest to foreigners as the price for our 1980s binge. Nor can we go on starving domestic investment to finance our consumption. Soon we must stop and replenish the factories, bridges, and schools we have forgone or else forever relegate ourselves (and our children) to slower growth in our standard of living. Supply-side economics without the “supply” can have only one sequel—something we may soon call vicious-circle economics.

It is therefore all but inevitable that our level of consumption must slow its climb, or even fall, while our level of production catches up. But of course the speed with which it can catch up depends in turn on how much we can invest, which depends on how much we can save.

THE CONNECTION BETWEEN EXPLODING PUBLIC deficits and a lower national saving rate is not absolute and unbreakable. Conceivably, we might have left overall national savings untouched if we had engineered a huge rise in private-sector savings at the same time that we embarked on a huge rise in deficit spending. In fact, however, *net private savings*—the net income saved by private households and firms—has been declining very sharply over the past decade (from 8.1 percent of GNP in the 1970s to 6.1 percent of GNP in the 1980s). Consequently, *net national savings*, which equals net private savings minus public-sector dissaving, has been declining over the past decade, from 7.1 percent of GNP in the 1970s to 3.4 percent in the 1980s. In fact, during three of the past six years—1982, 1983, and 1986—U.S. net national savings has dipped below two percent of GNP. Huge capital inflows from abroad have thus been inevitable.

The conservative stewards of Reaganomics, ironically, have themselves created the Keynesian nightmare—large and permanent deficits—they so much feared. And

Americans have endured it with remarkably little protest, because, after all, if conservative Keynes-haters didn’t know the dangers of deficits, who did?

Apologists for Reaganomics once claimed that “rational expectations” would lead people to increase private savings to compensate for public deficits and that the tax cut of the early 1980s would lead to a savings surge. The latter line of reasoning is legitimate and important—at the margin and over the long haul. Unfortunately, it is an idea that works well only when we tax saving less and consumption more. Most of the 1981 tax cut was simply an across-the-board cut in personal income-tax rates and thus did little to alter the *relative* tax burden on savings versus consumption. In any case, what is truly inexcusable is the expectation that we could come out ahead simply by cutting the *overall* level of taxation while still allowing federal spending to grow. When tax cuts go unmatched by spending cuts, they must be accompanied by additional public borrowing from households and firms—thus by a dollar-for-dollar reduction in otherwise investable private savings. Therefore, in a near-full-employment economy only a tiny fraction of the cut is likely to show up as additional private savings. If families and firms treat the tax cut just as they treat other income, the savings might be six or seven cents on the dollar—a tiny margin that can disappear entirely if there is a negative shift in the private sector’s overall inclination to save. As we have already observed, there was such a negative shift.

Other apologists for the 1980s “boom” have claimed that there is no historical correlation between public-sector deficits in bust years and negative trade balances. Even after budget deficits had soaked up some private savings, they point out, there was still enough left over for Americans to be net investors abroad; that’s why bust years typically brought us an improvement in our trade balance. Evidence that this time-tested pattern no longer obtained, however, was already surfacing in 1982, when the steepest recession in thirty years was accompanied by such large-scale federal borrowing that our current account—the ledger of our financial transactions with foreigners—did not break even. Since then we have been sailing in uncharted waters: a cyclical recovery accompanied by enormous and widening foreign-capital inflows.

Some apologists for the 1980s have gotten so carried away with the idea of market expectations—Reaganomics is all about psychology and expectations—that they can justify any catastrophe by references to a rosy future. Alan Reynolds, the supply-side guru, believes that heavy foreign borrowing is a sign of economic strength. He has compared our huge current-account deficit today to Japan’s big trade deficits in the 1950s, claiming that what the two situations clearly have in common is buoyant growth expectations. Although some U.S. observers in the 1950s were dubious about the wisdom of Japan’s foreign imbalance, “in retrospect, U.S. worries about Japan’s trade deficits look rather foolish.” Likewise for the United States today. “What has happened in the 1980s,” Reynolds writes,

"looks like a reversal of roles, with the U.S. becoming the relatively vigorous tax haven, attracting foreign capital and goods, while Europe and Japan slip into the stagnant, export-dependent role that the U.S. experienced in the Eisenhower years."

The argument is half right. Japan *was* a capital importer in the 1950s, because it was a rapidly growing economy—more than that, it was a country literally reconstructing itself after a war that had largely wiped out its industrial base. It borrowed abroad to finance a higher investment level than would have been possible by relying on its already hefty savings rate alone. The result was an incredible net investment rate of well over 20 percent of GNP. Did such capital inflows make sense? Of course, for they rapidly paid for themselves in increased economic output. From 1950 to 1960 the Japanese economy grew at an average real rate of nearly 10 percent a year; real net output per worker grew at the extraordinary rate of 6.6 percent a year. The relative burden of financing the nation's foreign-capital inflows (which ceased by the mid-1960s) thus fell over time.

The parallel between the United States and Japan, however, utterly escapes me. Over the course of the 1980s the U.S. investment rate has been the second-lowest in the industrialized world (just above Britain); meanwhile, the rate of growth in our real net output per worker, absolutely the lowest, has averaged about 0.4 percent a year. That is less than *one fifteenth* of what the Japanese were experiencing thirty years ago. Japanese productivity in the 1950s, in other words, grew more in nine months than ours now grows over ten years. And unlike Japan, we have been borrowing abroad for consumption, not investment.

To find the proper historical parallel for the United States in the 1980s we should not look to Japan in the 1950s, nor should we look to our previous experience with heavy borrowing from foreigners. That was in the 1870s, when we issued bonds (at half the current interest rate) to Europeans in order to finance our huge investment in railroads and heavy industry. Instead, we must look to those rare historical occasions when an economy's large size, its world-class currency, and its open capital markets have allowed it to borrow immense sums primarily for the purpose of consumption and without regard to productive return. The illustrations of lumbering, deficit-hobbled, low-growth economies that come most easily to mind are Spain's in the late sixteenth century, France's in the 1780s, and Britain's in the 1920s.

So there we have it: a conservative Republican Administration that promised us a high-savings, high-productiv-

**It is all but inevitable
that our level of consumption
must slow its climb,
or even fall, while
our level of production
catches up.**



ity, highly competitive economy, with trade surpluses, and gave us instead a torrid consumption boom financed by foreign borrowing, an overvalued currency, and cuts in private investment, with debt-financed hikes in public spending and huge balance-of-payments deficits. It's the same script, proceeding toward the same woeful finale, that we have seen played out over the years by many a Latin American debtor. As one wit

has put it, just as the 1970s saw the "greening" of America, the 1980s is seeing the "Argentining" of America.

Now let us examine the pieces of this fiscal debacle in more detail. We will turn first to the critical near- and medium-term challenge of reducing our foreign-credit inflow—and, at the same time, of coping with the harsh policy choices and the danger of global crisis that must accompany such a reduction. Then we will take a longer-term view of the inexorable link between investment and living standards. Finally, we will discuss the manner in which American public policy treats our future. If before the 1980s this manner was one of neglect, today it borders on open contempt.

"Owing It to Ourselves" No Longer

HOW MUCH, EXACTLY, DO WE NOW OWE THE REST OF the world? Officially, our net position (what we are owed minus what we owe) at the end of 1986 was a *negative* \$264 billion. By the end of 1987 we will be closing in on a negative \$400 billion. The incredible speed of America's transformation from creditor to debtor can hardly be exaggerated. Only six years ago, at the end of 1981, the United States had achieved its all-time apogee as a net creditor, with an official position of a positive \$141 billion. Over the past six years, in other words, the United States has burned up more than \$500 billion, net, by liquidating our foreign assets and by borrowing from abroad. That's an immense flow of capital, even in global terms. By 1986 our net borrowing had dwarfed the fabled bank recycling of OPEC surpluses after the oil price hikes of 1973 and 1979. The sum was twice the size of all foreign interest payments by all the less-developed debtor nations, and about half the approximate dollar value of total net investment in all less-developed countries combined.

What does the future have in store for a nation that is borrowing such sums from foreigners? As a net debtor of growing proportions, the United States must inevitably become a sizable net exporter of goods and services. (I repeat: exporter.) This proposition is just a matter of arithmetic. Since our indebtedness cannot grow indefinitely

as a share of our GNP—beyond some point, foreign creditors will regard us as a growing credit risk, a risk that must be compensated for by prohibitively high interest rates—our current-account deficit must eventually decline substantially. And when that happens, we will have to export more than we import in order to service our deficits on interest and dividend payments to foreigners. Just to say that something is inevitable, of course, does not tell you when it will happen. But I think it's fair to say that the growth of America's foreign debt may push us—painfully—to a current-account balance and a trade surplus by the mid-1990s, and almost certainly will do so by the year 2000.

Our opportunity for a relatively smooth readjustment is perilously narrow. On the one hand, it seems likely that the rest of the world will grow reluctant to keep lending to the United States once our net indebtedness rises much beyond 35 percent of our GNP, or a bit more than \$1 trillion at today's prices. Some experts suggest that this debt may entail net U.S. debt-service payments equivalent, as a share of exports, to those of many developing nations and about on a par with Germany's reparations burden following the First World War. The experts agree that it is quite impossible for the United States to go on indefinitely borrowing principal at or near its current rate of 3.4 percent of GNP per year. Such borrowing, combined with accumulating debt-service costs, would dictate an absurd \$3 trillion in net debt by the end of the century, and foreign investors would close down the pipeline long before we got there.

On the other hand, it is practically inevitable that our net debt will reach the \$1 trillion mark by the early 1990s no matter how vigorously we act to stem the inflow of foreign savings. Obviously, there are limits to the speed with which the United States can curtail consumption and generate growth in net exports. Consider, for instance, a scenario in which the United States, starting next year, makes steady additions to the value of its net exports such that its current account reaches zero by 1994 and its net debt is reduced to today's level by the year 2000. That sounds like a rather modest achievement. Yet it will still lead to a net debt of about \$1 trillion by 1994 and will require a real improvement in U.S. net exports of more than \$20 billion a year, each year, for the next ten years, or a total positive shift of more than \$200 billion. As Fred Bergsten has observed, the magnitude of the necessary adjustment facing us is equivalent to about two thirds of our entire defense budget and is several times larger than the total shift resulting in the United States from the 1970s oil shocks.

According to the adjustment scenario above, we need to reduce our foreign borrowing stream by \$20 billion yearly, or \$200 yearly for each of our 100 million workers. Yet real net product per worker has been growing each year by just \$135. Further, our continuing debt growth will mean that about \$40 per worker per year must be devoted to rising foreign debt-service payments. And to increase productivity sufficiently to raise net exports will require at least our

1970s level of net investment at home—an additional \$60 per worker per year over a decade.

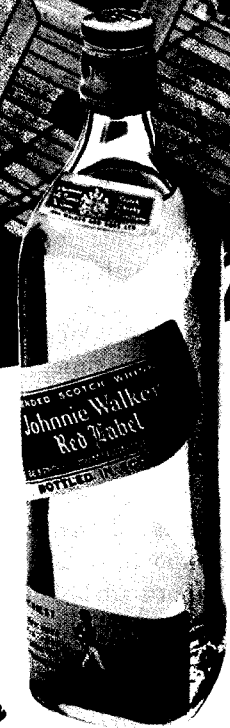
So where are we going to find, each year, the extra \$20 billion in unconsumed exportable production necessary to make this readjustment scenario work? Over the next decade, with only \$35 per worker available (\$135, minus \$40, minus \$60), consumption per worker in the United States may have to decline by \$165 each year. That's \$1,650 overall for the average worker, and of course we can expect those Americans with the most vulnerable incomes—minority workers, young adults laboring under two-tier contracts, and service employees who receive no benefits—to suffer losses that are far greater than average. Neither the American public nor the nation's politicians have even begun to face this prospect. In comparison, during the 1970s—a decade now known to most of us as “hard times”—U.S. consumption per worker nonetheless rose by \$200 each year. What the early 1980s gave us, the 1990s may well take away.

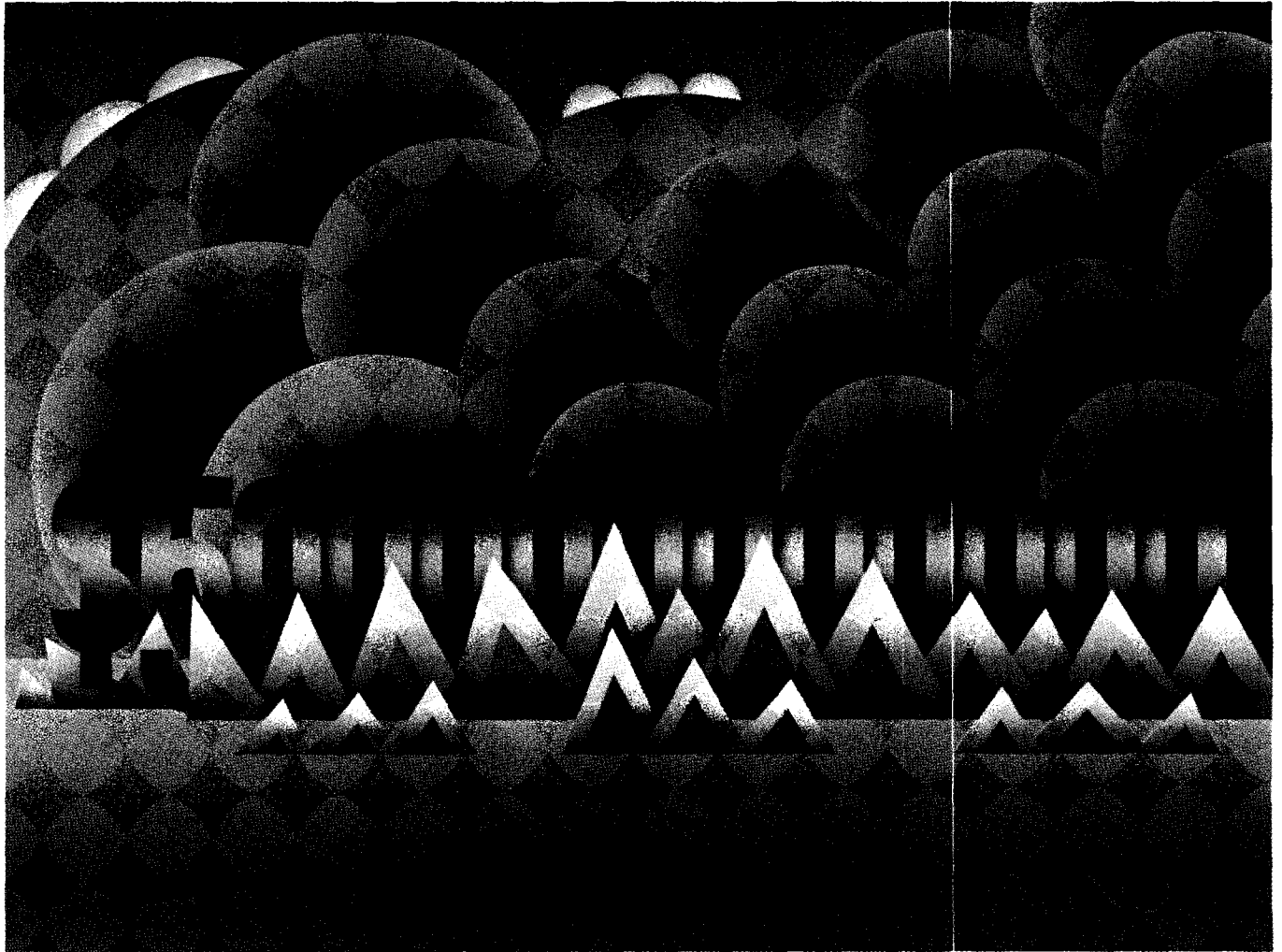
IN WHAT EXPORTS, SPECIFICALLY, IS THE UNITED STATES going to see the enormous gains it must achieve to lower its trade deficit? First of all, we can forget about any major contributions from the 22 percent of our trade exports now composed of agricultural goods and raw materials. The \$25 billion trade surplus we had in agricultural exports in 1981 shrank to \$3 billion last year. Over the past decade the European Economic Community has raised its grain balance, improbably enough, from a deficit of 25 million tons to a surplus of 16 million tons. India, Pakistan, and China have all become net farm-product exporters. Even the Soviet Union now seriously asserts the breathtaking goal of becoming a net food exporter by the year 2000. We will therefore be lucky to slow the current decline in our agricultural balance. Much the same goes for raw materials.

As for oil imports, nearly all experts expect that declining U.S. production will push our current 25 to 30 percent dependence on oil imports to 50 to 60 percent during the 1990s, and at higher prices. Philip Verleger, Jr., a visiting fellow at the Institute for International Economics, estimates that the value of our oil imports will rise from \$44 billion in 1985 to \$120 billion or \$130 billion by the mid-1990s. The 1980s have been happy, quiescent years from an energy standpoint, but we may, in the 1990s, again face some of the energy turbulence of the 1970s. The \$70 billion real improvement (in 1986 dollars) in the energy balance that Americans have enjoyed since 1980, in other words, will reverse direction. Let's be optimistic and assume that our annual total farm and raw-materials balance for the foreseeable future will decline by only \$10 billion per year. That means we need a good \$30 billion yearly improvement in the remaining 75 percent of our exports—namely, manufacturing.

Some critics balk at this point and complain that this logic unfairly omits our exports in services. According to a re-

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cent *Fortune* article titled "The Economy of the 1990s," the United States will improve its balance on services by \$125 billion between now and the year 2000. This service surplus, like some *deus ex machina*, is supposed to more than pay the debt service on what *Fortune* admits will be a "debt mountain" of some \$1 trillion by the mid-1990s. This analysis confuses a large flow of services that are actually debt service (for example, the payment of interest and dividends) with a much smaller flow of services that are actually current production (for example, travel, shipping, and insurance). We already know what will happen to the balance on the former type—it's going to go deep into the red. And U.S. exports of the latter type, unfortunately, are both too small (a total of \$49 billion in 1986) and too inflexible to make much difference. Two thirds of these exports consist of shipping, transportation, and travel; the rest consist of business services that usually accompany trade exports. In fact, since so many of our high-tech service exports are linked to manufacturing exports, it strikes me as virtually meaningless to project one without the other.

Let's be optimistic and assume that service exports will eventually grow by fifty percent. That still leaves us with a need to increase our manufacturing exports by \$275 bil-

lion, or achieve a real annual growth rate of 10 percent over the next decade. Can we emulate Japan and sustain such a prodigious performance in manufacturing over so many years? Perhaps we can, but the prospect seems daunting. So far in this decade our manufactured exports have actually *declined* in real terms, but over the coming decade we will be aiming for a higher export growth rate than we have yet achieved in the twentieth century. In every respect the achievement would be unprecedented: we would have not only to break our earlier record but to do it with a lower average level of domestic business investment, with a complete freeze on imports, and with steadily declining living standards.

Any way one looks at it, the arithmetic is cruel and inescapable. It's hard to imagine huge growth in our manufacturing output, for instance, without a very large increase in domestic business investment. But to further increase investment at home we may have to undergo a further decline in consumption, in order to hold constant our net export improvement. And, clearly, we are not going to see any decline in consumption in favor of saving unless there is a radical change in our public policy, especially our fiscal policy (something I will discuss later on), and in our politics as well.

THERE REMAINS, MOREOVER, YET ANOTHER problematic assumption in our readjustment scenario: the willingness, or even the ability, of the rest of the world to absorb our proposed huge increase in manufacturing exports. Current thinking on this problem seems to grow out of two separate theories. One theory emphasizes foreign economic growth, the other exchange rates.

The foremost proponent of the first theory is the Reagan Administration, which has repeatedly insisted that higher rates of growth abroad—particularly in the stagnant-demand economies of West Germany and Japan—will solve our problem. This is a worthy idea but hardly a solution. Consider, for instance, a sustained one-percent real increase in economic growth in the rest of the world—say, from about the current 2.5 percent to 3.5 percent (surely we cannot expect more). Then imagine that all this growth is purely domestic. Using rosy “multiplier” assumptions, we could get a two- or even four-percent real increase in exports. Recall, however, that we need a 10 percent real increase.

The second theory, to which many economists subscribe, is that any level of net export improvement is possible as long as we endure a “sufficient” decline in the exchange rate—that is, a continued fall in the value of the dollar relative to other currencies which will make our goods more attractive to foreign buyers.

Experience demonstrates, however, that exchange-rate adjustment also has its difficulties. Over the past few years nearly all economists have been humbled by how far they had overstated the extent to which world trade balances would adjust to the recent fall in the dollar. Given this track record, it is cause for deep reflection that forecasts now being made in major think tanks say that even a 25 percent further devaluation of the dollar will be lucky to push the annual U.S. current-account deficit much below \$100 billion over the next few years. The underlying problem might be posed as follows: even if we accept a lower dollar, which I believe to be virtually inevitable, will economies in the rest of the world accept it? The challenge facing America—generating a \$275 billion positive swing in manufactured exports over the next decade—sounds tough enough without worrying about whether our trading partners will accommodate our necessities. Yet we often forget that our objective of huge yearly increases in U.S. net exports translates directly into decreases in the net exports of our major trading partners (recently the very source of much of their growth). It's not just a question of our resolve; it's also a question of their resolve, something over which we have little or no control.

What we hope, of course, is that our trading partners will accept our agenda. In general, we want them to raise the demand for goods and services in their countries at the same pace at which we are suppressing demand, with smaller fiscal deficits and higher private savings rates, in our own country. Specifically, we hope they will stimulate their domestic demand with looser fiscal policy, keep their currency strong with restrained monetary policy, and pull

down import barriers so that U.S. exports can expand with minimal pressure on exchange rates. Our unspoken assumption is that once we decide to act, they can be expected to cooperate.

In reality, foreign economies may be otherwise inclined. Instead of loosening fiscal policy, they may continue to tighten—raising their own national savings rates in tandem with ours even at the risk of a collapse in global demand. And instead of embracing a lower dollar, they may continue to resist it, either by pushing their exports harder (with price cuts and aggressive marketing) or by discouraging imports (with official or unofficial import barriers or simply a social consensus not to “buy American”). Either way, readjustment may entail risks that persuade all parties to abandon the effort. In the former case the risk is worldwide economic stagnation. In the latter the risk is a precipitous fall in the dollar and the danger of financial panic.

Why might our trading partners not want to cooperate? For one thing, foreign leaders may be slow to believe that the United States will do what it says it intends to. Look at it from their point of view. Ever since 1983 the United States has been assuring the rest of the world that it is just about to cut back on its budget and current-account deficits and that other countries should therefore immediately begin stimulating their domestic demand in order to “pick up the slack.” Other countries have responded with caution, and in retrospect—the U.S. deficits having grown rather than shrunk—their leaders must now be glad they were cautious. They still have their exports, they still have their productivity growth, and they still have stable prices.

Given the recent sharp fall in the dollar, many Americans figure that our trading partners have begun to see the handwriting on the wall. Surely, we think, Europe and Japan must soon opt for large-scale domestic stimulus in their own interest—especially when it means the instant pleasure for their own citizens of more disposable income and more consumption. Yet here we confront a deeper issue—the vast differences in culture, history, and politics which make it just as hard for other industrial countries to do what we find natural (stimulate consumption) as it is for us to do what they find natural (stimulate savings). We find inflation worth risking, but the West Germans, scarred by the memory of the 1920s, would rather risk recession. We find it easy to sacrifice exports on the altar of the high dollar, but the Japanese, who have spent generations fighting to earn dollars to pay for their food, raw materials, and oil, find the equivalent idea tantamount to economic surrender (particularly considering their long-sought, stunning manufacturing trade surplus of \$150 billion, or about eight percent of their GNP). The necessary reversals in national economic direction are profound. If we assign Japan one third of the needed adjustment, for example, or \$50 billion annually by 1994, this would amount to eight percent of its total manufacturing output (in a negative direction). To those who argue that Japan adjusted successfully to two oil shocks, and so can handle this challenge, I argue that those

shocks required the Japanese to do *more* of what they had always been doing (namely, exporting), while the present predicament will require them to do *less*. American leaders think that stimulating domestic demand is child's play. Most leaders abroad do not. They are, in fact, extremely doubtful that their consumers will be able to pick up where exports to America leave off.

To allay doubts about our intentions, we must change our policy in credible and irrevocable ways, and announce these changes ahead of time. Readjustment becomes sticky when, even in the face of changing prices, foreign exporters hope to preserve their sunk costs, their hard-won market shares, and their relentless productivity and cost-reduction efforts—as Americans hooked on imports hope to preserve their buying habits. Those hopes are our enemy. We cannot cloud the air with chatter about painless global growth when in fact we are asking exporters abroad and importers at home to endure inevitable hardships.

Second, to eliminate uncertainty about the implications of our policy, we must talk realistically about a genuine transformation of the world's major political economies. "Fair trade" (whatever that means) isn't really the point. Our objective is to raise U.S. exports so that we avert a tragedy that threatens everyone—a global crash. Finally, to encourage political as well as economic balance in the world, we must renounce our recent policy of "global Keynesianism"—the policy of being everyone's buyer of last resort. The mercantilist aggressions bred by such a policy, including retaliatory protection and games of "chicken" with exchange rates, have themselves become a major obstacle to readjustment. Confidence, not fear, is the best way to get foreigners to retool their export plants for their own domestic markets.

IF WE SIMPLY PROCEED WITH THE "BUSINESS AS USUAL" approach to the world's growing imbalance, America's foreign creditors will ultimately become aware that the situation is unsustainable. At that point anything, from a small decrease in the value of the dollar to a mild political crisis, could cause investors around the world to decide to rid themselves of dollar-denominated assets. If the resulting plunge in the dollar's exchange rate persuades ever larger numbers of investors to follow suit, the "dollar overhang" might at last turn into the worst freefall nightmare of Paul Volcker, the former Federal Reserve chairman: an avalanche pouring down on the dollar's financial capitals, from London to San Francisco.

The United States, in response, would have little choice but to raise interest rates sky-high, in order to attract at least some investors to the dollar to finance our budget deficits. We would also have to acquiesce in a long and almost deliberate recession, both to shut down most of our foreign borrowing (in a matter of months rather than years) and to suppress U.S. demand for imports. Actually, the recession is likely to be of the "stagflation" variety, since

higher import prices may double our inflation rate even before we prime the pump. The peak-to-trough downturn could be quite steep indeed and could easily become our most severe economic crisis since the 1930s. Nor have I yet mentioned how the razor-edge plight of many less-developed debtor nations will add to the danger. Every forecast I have seen warns that the largest South American debtors will be pushed from illiquidity to insolvency by a far milder recession, and far smaller interest-rate hikes, than those envisioned here. Many have even suggested that spreading defaults among less-developed countries may precipitate the crisis.

No one knows, of course, how long such a hard landing would last. It is possible, I hope, that it would be limited to a financial crunch followed by a severe but brief recession, rather than a lengthy depression. The economy could recover with relatively moderate increases in world unemployment, but surely the value of the dollar would be much lower and U.S. import levels would be much reduced. This is what I call the "bumpy start-and-stop" scenario—the one that has afflicted postwar Great Britain. Under this scenario the standard of living in the United States would have dropped, its indebtedness would be little changed (but no longer growing), its international responsibilities would be necessarily curtailed, and its people would be aware, through occasional jumps in interest rates and the yo-yo behavior of the dollar, that their economic fate was hostage to the tenuous and nervous confidence of outsiders. The British economist Michael Stewart recently observed that "anyone who has lived through our 40 years of balance of payments crises, and seen the constraints they have imposed on domestic policies, must stand amazed at the insouciance with which the United States is piling up external debt." These constraints, of course, were not only domestic; they also hobbled British foreign policy—most dramatically in the Suez crisis of 1956, when the United States, which held reserves of British sterling as foreigners hold our dollars today, warned the British that we would declare war on the pound if they did not stop their invasion of Egypt. So much for the perils of dependence on foreign investors.

Should we have the worst hard landing—a lengthy U.S. depression—let us simply be forewarned that our traditional policy responses would be of limited use. Hardship-bloated budget deficits would prevent us from applying more fiscal stimulus; a low and skittish dollar would defy our attempts to loosen monetary policy. Whereas the "start-and-stop" landing presumes that Americans could pay for their debts by a one-time shock in living standards, and thereafter by slower productivity growth and reduced international leadership, the true-depression hard landing presumes that Americans would service and pay off their debts through indefinite impoverishment. Either scenario could, of course, lead to a resurgence in state control over the economy (on a scale that might put Jimmy Carter's credit controls to shame)—an ironic last act in an opera that opened with the chorus singing praises to *laissez-faire*.

SOME OBSERVERS PLAY down the possibility of such a crisis. They point to the apparent ease with which the world has so far endured a substantial decline in the dollar's value. Clearly, however, the easy stage is now coming to an end. In trade, the dollar has now reached the point at which further declines can no longer be absorbed by exporters' profit margins and will leave no foreign alternative other than struc-

tural change or economic stagnation. Just as the American economy has since 1980 suffered the trauma of de-industrialization, so the Japanese economy has begun to suffer from what some Japanese call the "hollowing out" of their industries—worker layoffs, unused capacity, and a scramble toward offshore assembly. In finance, further dollar declines are likely to be accompanied not by lower U.S. interest rates, as in the past, but by unchanged or even higher interest rates, as we experienced last spring. This will present the Fed with a no-win choice between defending the dollar and loosening credit. And it will hit foreign investors with the double whammy of further exchange-rate losses compounded by losses in bond-market values. The preconditions for a dollar-dump panic, in short, may already be moving into place.

Of course, one hopes that Americans will never have to live through these dismal outcomes. But avoiding them will take great effort—not just in changing policy but ultimately in changing our very self-image and in persuading our trading partners to change theirs. Japan's problem, a senior official there told me recently, is global-asset management; ours, alas, is global-debt management.

The financial expert David Hale has written, "The U.S. is a debtor nation with the habits of a creditor nation while Germany and Japan are creditor nations with the habits of debtor nations." Needless to say, America must soon change its habits, including its fixation on creative consumption. Our ability to do so safely, however, will depend on more than just our own hard work and determination. It will also depend on whether we can persuade our trading partners to change their habits, at the same speed and at the same time that we are changing ours.

Turning Away From Posterity

OUR GROWING FOREIGN DEBT AND TRADE DEFICIT not only threaten a sacrifice in our consumption levels but also symptomize our unwillingness to acknowledge a deeper and more long-standing disease: a steady thinning out of those activities and attitudes that tend to generate, over the long term, a rising level of pro-

The 1980s and 1990s may be remembered as a turning point in America's fortunes—a period when we took the British route to second-class economic status.



ductive efficiency. When the seriousness of this problem became increasingly apparent, during the 1970s, we should logically have chosen to allocate fewer of our resources toward consumption and more toward investing in productive physical and human capital. Instead, under a supply-side banner, we have blindly chosen to do the opposite.

Does it matter that our productivity is growing only a fraction as fast as it was in

the 1950s or 1960s? Indeed it does. To recognize some of the consequences, we have only to consider that to end foreign borrowing with no change in per-worker consumption or domestic investment will take us *twelve years* of productivity growth at the current rate. The same task would take us only a bit more than three years at the growth rate of the 1960s or only a bit more than two years at the rate of the 1950s. To put it another way: Our per-worker flow of foreign borrowing, as we have seen, is now running at about \$1,350 a year. But whereas the net product per worker that is left after we service our debt, and that we can apply to reducing our current-account deficit, is rising by only \$95 a year now, it would be rising by \$630 a year at 1960s growth rates and by \$985 a year at 1950s growth rates.

Yet it would be wrong to see productivity differences solely in terms of our foreign balances. Far more important is the role such differences must play in determining long-term growth in our future living standards. The cumulative impact of small differences in yearly growth rates cannot be underestimated. Consider the year 2020, when those who are now infants will be in the prime of their working life. If productivity growth proceeds at its 1980s rate (and does not decline still further), the average worker in 2020 will be producing \$40,100 worth of real goods and services, only about 14 percent more than his or her parents are producing today (\$35,300). Under the smoothest-possible-readjustment scenario already described, which would result in declining per-worker consumption through most of the rest of this century, even by 2020 his or her yearly consumption will have risen only eight percent above the 1986 level.

America's standard of living, for the first time in its history, will have hardly budged for a span of forty years. The 1980s and 1990s may be remembered, with bitterness, as a turning point in America's fortunes—a period of transition when we took the British route to second-class economic status. Britain's decline took seventy-five years of productivity-growth rates that were half a percentage point lower than those of its industrial competitors. Because America's corresponding gap is more than three times as large, its relative decline is proceeding far more swiftly.



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If, however, U.S. productivity now started growing again at the 2.4 percent average rate that prevailed during the 1950s and 1960s, miraculous though that would seem, our sons and daughters in 2020 would each be producing \$77,200 worth of real goods and services—some 120 percent more than their parents are each producing today. Consumption standards would rise by nearly as much, since we would have been able both to close our foreign-borrowing gap and to recoup our foreign liabilities by the early 1990s. In this case our grandchildren would look back on us as relative paupers, and by 2020 Americans would be enjoying buoyant prosperity and widening social opportunities in a nation that would still be a leading force in the world's economic and political affairs.

Understandably, most Americans do not want to confront the painful idea that we are headed toward the wrong future. Yet that is the melancholy fact of the matter. What is less understandable is the strident defense that so many opinion leaders offer for our present course. We hear time and again that the U.S. economy in the present decade has grown “as fast as” or “faster than” the collective economy of the rest of the industrial world. So far as this claim goes, it is correct. From 1979 through 1986 real U.S. GNP grew by a rate of 2.1 percent a year—about the same growth rate as that of the collective GNP of all other industrial nations. However, in the United States most of the growth (70 percent) was due to increases in the number of workers, while in the other countries most of the growth (85 percent) was due to increases in output per worker.

The rapid growth in U.S. employment has partly been the consequence of an entrepreneurial and new-business surge, the flexibility of our labor markets, and several booms (for example, a consumption boom, providing jobs in distribution; the health-care-for-the-elderly boom; the home-services and eating-out boom; and the postwar Baby Boom, which has no counterpart in other countries). According to a recent Commerce Department report, from 1981 to 1986 the equivalent of nine million full-time jobs were created. And yet, contrary to the widespread impression, this represents a job-creation slowdown; over the previous six years the equivalent of 14 million full-time jobs were created.

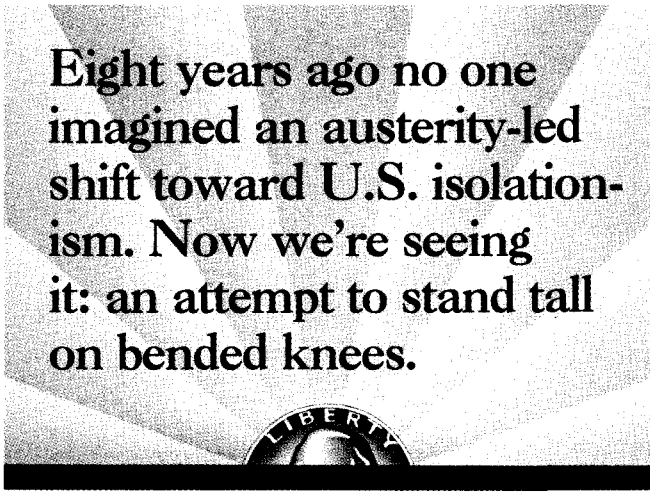
In any case, this kind of growth must cease within a few years, when all the Baby Boomers are employed, and reverse itself in future decades, when young adults will be scarce and retiring workers ever more plentiful. More important, it is not the kind of growth that raises our standard of living. Augmenting production by adding more working bodies (what classical economists used to call the “dismal”

Asian model) does not enhance the standard of living. Only augmenting production per working person does that, and Europe and Japan do that far more successfully than we do. The employment of the largest and best-educated generation of Americans in history should have caused U.S. GNP to rise far faster than GNP in any other country—as it should also have pushed up our savings rate, since presumably this working generation of young adults will want to allocate some of the extra production to provide for their children and their own retirement (as the Baby Boom becomes the Senior Boom). Instead, with the part-time nature and much lower value-added character of many of the new jobs, we have barely managed to keep pace with the GNPs of our competitors, and our savings rate has declined. This is not success but a large-scale admission of failure.

Yet it is surely true, the optimists say, that productivity growth and investment performance in the other industrial countries have declined sharply over the past fifteen years, and this must mean that we are doing better than they are. Not really. Because the performance of the other countries was so superior to begin with, and because our own performance has also fallen, product per worker is still growing considerably faster abroad than here in the United States.

How have these economies managed? The most apparent factor has been much higher investment levels. Here, Japan is the leader. From the 1960s to the 1980s its total net investment as a share of GNP (including investment in public infrastructure as well as in all private structures and equipment) has fallen from 22.6 percent to 16.1 percent; the latter figure, however, is still three times larger than the equivalent U.S. figure for the 1980s (5.3 percent). In fact, at 1986 exchange rates (as the dollar falls, the comparison is getting worse) Japanese net investment in 1986 amounted to \$300 billion, while U.S. investment amounted to only \$270 billion. (This has been the result, in part, of a cost of capital in Japan that has consistently been less than half ours—a situation not at all helped by the 1986 Tax Reform Act.) It is a spectacle that ought to shock Americans: a population half the size of our own, living on a group of islands the size of California, is adding more

each year to its stock of factories, houses, bridges, and laboratories—in absolute terms—than we are to ours. And Japan still has savings left over, about \$80 billion in 1986, to lend to thriftless foreigners. (About \$50 billion of that sum was lent to us.) Between the two countries, therefore, the 1986 disparity in net savings (\$380 billion in Japan versus only \$125 billion in the United States, a six-to-one per capita difference) was even more lopsided.



Eight years ago no one imagined an austerity-led shift toward U.S. isolationism. Now we're seeing it: an attempt to stand tall on bended knees.

FOR YEARS MANY U.S. EXPERTS HAVE BEEN PREDICTING that the relative productivity-growth advantage of the other industrial countries would soon slow down. Back in the 1960s and early 1970s such predictions were based on the "postwar reconstruction" thesis. Industrial phenomena like Japan and West Germany, it was said, were growing faster merely because they still had to "replace" the capital stock they had lost in the Second World War. More recently this line of reasoning has been abandoned, because it obviously cannot explain why these countries have replaced most of their business plant and equipment several times over since the early 1950s. In Japan, to take the extreme example, there is hardly a single factory now standing that has not been built, rebuilt, or entirely re-equipped since the mid-1970s. Indeed, each Japanese worker is supported by more than twice the plant and equipment that supports his or her American counterpart. A new argument, therefore, has become popular. This is the so-called convergence thesis, according to which other countries are getting a free ride by copying American technological breakthroughs. Once the other countries reach our level, it is said, their productivity growth must slow down sharply. At that point they will have to do the same tough "pioneer" work that we do.

The convergence thesis makes sense only if we assume that the other countries' overall disadvantage relative to the United States is spread about equally across every economic sector, and that it is especially marked in manufacturing, where technology presumably is most important. Unfortunately, this assumption isn't plausible. Most economists agree that America's remaining absolute advantage is due mostly to superior productivity in agriculture, raw materials, and services, and that little if any of it is now due to superior productivity in manufacturing.

Instead of hoping for convergence, we Americans ought to recognize that we are already getting beaten in manufacturing. We must also recognize that over the foreseeable future the biggest productivity-growth opportunities in Europe and Japan will lie in improving efficiency in agriculture and services—something that requires no big research-and-development breakthroughs and could occur with disquieting suddenness.

The defenders of Reaganomics, of course, protest against any such conclusions. The growth of U.S. manufacturing productivity, they claim, has been one of our great achievements in the 1980s. And now that the dollar is back down where it was when President Reagan took office, American exporters will no longer have to compete against absurdly cheap foreign labor costs. The future, then, looks bright.

But does it really? True enough, U.S. manufacturing productivity has recently run against our economy's declining trend. For example, from 1979 to 1985 Ford reduced its global employment by nearly 30 percent while reducing its car and truck output by only about five percent. Overall growth in manufacturing productivity rose from a yearly average of 2.3 percent in the 1970s to nearly 3.2 percent in

the 1980s. What the optimists do not point out, however, is that such numbers are the perverse if pro-competitive result of seven catastrophic years for U.S. manufacturers—two domestic recessions (1980 and 1982–1983) followed by a high dollar export recession (1984–1986).

Still less do the defenders of the 1980s want to point out that U.S. manufacturing productivity, even with the help of its recent job-slashing acceleration, grew more slowly during the 1980s than the average for our major industrial competitors. And far from granting slower real pay raises, foreign manufacturing exporters have been using their productivity advantage to grant their workers much larger pay raises than firms in the United States have done. Since 1969 real manufacturing pay has risen by only 17 percent in the United States, but by a colossal 115 percent in Japan.

The fact that U.S. wages have grown even more slowly than U.S. productivity certainly reflects the adverse exchange-rate climb of the dollar during the early 1980s. But since the gap in wage growth was already apparent at the end of the 1970s—before the dollar's long climb—some experts suggest that it may also reflect a negative shift in the image of U.S. goods for quality and reliability. Our decline in underlying competitiveness, in other words, may be even greater than what the output-per-worker numbers indicate. For this reason the recent emphasis on quality by many U.S. manufacturers can only be regarded as gratifying.

A FINAL DEFENSE OF OUR ECONOMIC PERFORMANCE IN the 1980s rests on the sweeping claim that none of this "smokestack" productivity matters anymore because our economy will henceforth thrive on our alleged global monopoly on information and inventions. Pure products of the mind have limited appeal as final consumer products, however, and so one wonders how they can generate wealth unless we have the capability—the plants, tools, and production skills—to turn them into salable goods and services. Perhaps, it is said, we could sell this intellectual property directly to foreigners. A good idea, but the numbers hardly indicate that such sales could ever drive our economy by themselves. In 1986 our total net receipts from royalty and licensing contracts with unaffiliated foreigners (including movie and TV rights) amounted to about \$1.5 billion, or about four ten-thousandths of our GNP. And in inflation-adjusted dollars our receipts of this kind have actually been declining over the past decade.

Knowledge and innovation, to be sure, are an absolutely vital precondition for long-term economic growth. But we Americans tend to overrate the significance of our leadership here. We forget that intellectual glitz and scientific glory do not always translate into the humble, wealth-generating chores of commercial innovation. Although we like to point out that we lead the world in the share of GNP that we devote to research and development, we neglect

to add that much of this is devoted to obscure weapons R&D that leads to few commercial spinoffs. In civilian R&D we lag behind both Japan and West Germany. We should be pleased with the rapid growth of venture and equity financing for small high-tech businesses during the 1980s, but we should also be cautious: thus far we have seen no comparable surge in small-business R&D, no reversal in the downward trend in U.S. patent applications, and no resurgence in high-tech exports. As for U.S. universities, they are indeed a global showcase for Nobel laureates and pathbreaking research. Yet most of the brilliance emanating from our universities is as freely available to foreigners as it is to our own citizens.

More important, it is hard to imagine any long-term economic renaissance—especially one built on “working smarter”—without a determined investment in the most precious of our assets: the skills, intellect, work habits, health, and character of our children. Yet this is precisely where we may be courting our most catastrophic failure. In the words of one analyst cited by the 1983 National Commission on Excellence in Education, “For the first time in the history of our country, the educational skills of one generation will not surpass, will not equal, will not even approach, those of their parents.” Recent trends indicate that each year the typical American child is increasingly likely to be born in poverty and to grow up in a broken family. And a study by the Committee for Economic Development points out that without major educational change, by the year 2000 we will have turned out close to 20 million young people with no productive place in our society. The CED study continues, “Solutions to the problems of the educationally disadvantaged must include a fundamental restructuring of the school system. But they must also reach beyond the traditional boundaries of schooling to improve the environment of the child. An early and sustained intervention in the lives of disadvantaged children both in school and out is our only hope for breaking the cycle of disaffection and despair.” Our children represent the furthest living reach of posterity, the only compelling reason that we have to be serious about investing in the future. And we are failing them.

The Politics of Debt

THERE IS NO QUESTION THAT FEDERAL FISCAL POLICY deserves much of the blame for our national failure to invest during the 1980s; recall that the 1986 federal deficit consumed the equivalent of 90 percent of all private-sector savings that year. On the one hand, opinion polls consistently show that the American public overwhelmingly favors, in theory, a balanced budget. On the other hand, serious attempts to reduce the deficit continue to encounter, in practice, enormous bipartisan resistance. Congress and the Administration invent countless reasons why solving the problem can be postponed just a bit longer or why the deficit can't really be doing us that much harm.

We have little time left to get beyond such rationalizations. It is sometimes asserted that our economy's saving behavior would be pretty much the same today without a federal deficit. But, again, consider the numbers. During the 1980s we have succeeded in nearly tripling the national debt, from \$645 billion (at the end of fiscal year 1979) to \$1.745 trillion (at the end of fiscal year 1986). We have, in addition, saddled ourselves with an informal debt of nearly \$10 trillion in unfunded liabilities in Social Security, Medicare, and federal pensions. That astronomical figure is the difference between the benefits today's workers are now scheduled to receive and the future taxes today's workers are slated to pay for them. It amounts to a hidden tax of \$100,000 on every American worker, and its toll will be exacted on our children.

For Americans to believe that their national balance sheet is in the same shape now as it used to be, they would have to believe that the enduring investments made by the federal government during the past seven years are comparable to all those made during the preceding two centuries—including the taming of the frontier, victories in several wars, the Marshall Plan, miracle vaccines, the Apollo missions, Grand Coulee Dam, and the interstate highway system.

From fiscal year 1979 to 1986 federal revenue fell from 18.9 percent to 18.5 percent of GNP, while federal outlays rose from 20.5 percent to 23.8 percent of GNP. Why has federal spending risen? The big growth areas over the past seven years have been defense, entitlement benefits, and interest on our national debt; all other spending has been cut back dramatically. Over the longer term, however, entitlement benefits dominate the picture. Since 1965 they have grown from 5.4 percent to 11.5 percent of GNP; all other spending excluding interest (which simply represents the permanent cost of cumulative deficits) has declined from 11.0 percent to 9.5 percent of GNP. This growth in entitlements over the past twenty-one years is equivalent to 6.1 percent of GNP—an amount greater than the entire investment we currently make in all business plant and equipment, plus all civilian R&D, plus all public infrastructure. Even defense spending, as a share of GNP, has risen only half as much during the 1980s as it declined during the 1970s. At 6.6 percent of GNP in 1986, defense spending is still lower than it was in any year from 1950 to 1973.

Our budget-cutting efforts during the 1980s have failed because they have allowed continued growth in the one type of spending—for entitlement benefits—that had already risen to unprecedented heights. Even where the 1980s budget ax has fallen hard, the major victims have been precisely those rare federal programs whose purpose is physical or human investment rather than consumption.

This last point is worth emphasizing, for it explains the unique vulnerability in recent years of that small area of the federal budget called discretionary non-defense spending. That's the old-fashioned type of spending in which Congress—unconstrained by automatic-indexing

formulas and prior-year contracts—votes on bills each year, presumably for the best interest of our national future. Unfortunately, since the future has no lobby, no formula, and no contract, the Administration and Congress have found this the perfect place to demonstrate their budget-cutting zeal publicly even while allowing all other types of spending to keep rising. By 1986 discretionary non-defense spending had been cut to 4.09 percent of GNP, its lowest level since 1961.

This spending category includes that bellwether of federal investment activity, the maintenance and construction of America's public infrastructure. Net real investment in roads, bridges, mass transit, and other public works has dropped by 75 percent over the past two decades; much of our infrastructure is wearing out far more rapidly than it is being replaced. We do not have a new generation of infrastructure technology, from high-speed trains to underwater tunnels, because we have chosen not to pay for it.

But the steep decline in federal investment during the 1980s has not been limited to infrastructure. Investment in our environment and in human capital—research, education, job skills, and remedial social services—has also plummeted. These, too, have now been deemed superfluous. From 1979 to 1986, in real dollars, federal spending on natural resources has been cut by 24 percent, non-defense R&D by 25 percent, aid to schools by 14 percent, and energy preparedness by 65 percent.

Far from forcing a "revolution" in the role of the federal government, the 1980s have instead seen the federal budget become an ever larger and more efficient consumption machine. In the mid-1960s checks mailed out automatically (to bond owners, health insurers, retirees, state and local benefit administrators) accounted for about 58 percent of all federal non-defense spending. By 1979 their share stood at 68 percent; today it has grown to nearly 80 percent. We have now reached the point, in fact, where even if we eliminated all discretionary non-defense spending (imagine that we could fire all civil-service employees and replace them with a giant check-writing machine), the federal budget would *still* be running a deficit. Our government's function as an investor, a steward of our collective future, is small and shrinking. Its function as a consumer, a switchboard for income transfers, is large and growing.

Surely, it is argued in defense of the growth in entitlements, the alleviation of poverty also constitutes "investment" of a sort—an investment in the long-term social and economic benefits of preventing serious material hardship. If the premise were valid—that federal entitlements go to the poor—this would be a worthy argument. Unfortunately, the facts seem to be otherwise. In 1986 the U.S. public sector spent about \$525 billion, or 12.5 percent of GNP, in benefit payments to individuals. Of this total, about \$455 billion was financed at the federal level: about \$360 billion consisted of cash payments, and the rest consisted of in-kind payments (for example, health care, food stamps, and rental assistance). How much of all this went toward alleviating poverty? No one knows for certain, but probably no

more than about 20 percent of the total, or approximately \$100 billion. The rest represents income transfers from non-poor taxpayers to non-poor beneficiaries (and, increasingly, to non-poor purchasers of federal debt).

THIS RESULT SHOULD NOT BE SURPRISING, CONSIDERING that of the \$455 billion dispensed from the federal budget, 85 percent was not means-tested—in other words, was not targeted to people living in poverty. These non-means-tested benefits went, by and large, to those groups least likely to be poor. The lion's share, \$271 billion, consisted of Social Security and Medicare payments, which went indiscriminately to nearly every elderly person. The elderly now enjoy the lowest poverty rate—less than three percent when the calculation includes total benefit income—of any age group. Far from targeting the poor, Social Security cash benefits are actually regressive, in the sense that those with the highest lifetime incomes receive the highest monthly payments. Another \$47 billion was spent on the two most generous pension systems in America: civil-service and military retirement programs. Among the beneficiaries of these programs poverty is practically unheard of; most are not "retired" at all but working at another job and earning a second pension. The average annual income for a federal pensioner is now more than \$35,000. Still another \$26 billion went to agricultural subsidies. Though this is equivalent to about \$18,000 per person working in agriculture, it doesn't help many farm workers. Instead it goes primarily to the owners of the farms with the largest sales, and to banks to service farm debt. Finally, about \$43 billion was spent on assorted other non-means-tested programs, such as veterans' health care (going mostly to elderly people with higher-than-average incomes and without service-related illnesses). Unemployment compensation, amounting to less than \$18 billion, almost gets lost in this sea of money.

Many of these programs, and especially Social Security, provide invaluable income support to millions of people who would be in poverty without them. This is true especially for members of what Stephen Crystal, in *America's Old Age Crisis*, calls the "multiple jeopardy" groups—those who can be characterized in two or more of these ways: over seventy-five (a group expected to grow by more than 50 percent by the year 2000), widowed, single, divorced, in poor health, without a private pension, and nonwhite. For example, the mean income of the black elderly was only 54 percent of the mean income of the white elderly in 1980. But these people are helped mainly by dint of the enormous sums of money spent, not by virtue of any rational allocation scheme.

It is also argued that federal retirement benefits "belong" to the recipient—despite the consensus among experts that the benefits payback for Social Security and Medicare is five to ten times greater than the actuarial value of prior contributions; plainly put, even middle- and upper-income groups get back vastly more than they put in

(including interest and employers' contributions). As for civil-service retirement, we are told that it is a genuine pension system, under which federal workers and federal agencies each contribute seven percent of payroll to a "trust fund" in behalf of every worker's retirement or disability. Yet the pension level is so high (averaging 56 percent of pre-retirement pay), the retirement age so young (age fifty-five after thirty years of service), and the disability criteria so easy (one quarter of all civil-service pensioners are "disabled") that every outside actuary has found, here too, that benefits far exceed contributions. Most say that recipients get somewhere between two and three extra dollars for every dollar they contribute. Unlike any private pension, moreover, civil-service pensions are 100 percent indexed to the Consumer Price Index—with the absurd result that federal pensioners often outearn their successors in office.

As for military retirement, here we confront the ultimate bonanza. The serviceman contributes nothing to a trust fund, but upon reaching a median age of forty-one (and completing at least twenty years of service), he is entitled to 50 to 75 percent of pre-retirement pay, indexed yearly, for life. Typically, military pensioners—including many of the most valuable members of our Armed Forces, who are induced to quit by the retirement bonanza—spend more years collecting benefits than they ever spend in the service. Only one quarter are over age sixty-five, all are eligible for Social Security, and most pursue second careers to achieve a "triple-dip" private pension.

The Administration and Congress have often boasted of "cutting back" on excessive benefit spending. Unfortunately, nearly all the painful and high-visibility cuts have been made in the 15 percent of all benefit programs that are means-tested. One result is that means-tested benefits have hardly grown at all as a share of GNP during the 1980s (in fact, excluding Medicaid, they have actually shrunk; hardly any poverty cash benefits are indexed). Another result is that such benefits target the poor even better now than they did in the 1970s, since most of the cuts have effectively excluded many near-poor beneficiaries, those whom we do not consider truly needy. Meanwhile, the tremendous non-means-tested programs—protected by powerful middle-class lobbies and automatic 100-percent-of-CPI indexing—have burgeoned.

Over the past generation federal benefits have grown roughly twice as fast as our economy. What is most ominous about the long-term trend in the cost of non-means-tested benefits, however, is that these benefits will necessarily continue to grow faster than our economy even if we do nothing explicit to increase benefit levels. Just leaving the budget on "automatic pilot" will lead to fiscal disaster. The forces guaranteeing this result are threefold: the aging of America, the hyperinflation in health care, and the uncontrollability of benefit indexing.

The aging of America: Well over half (about 56 percent) of all federal benefits now go to the 12 percent of our population who are age sixty-five and over. We now direct, on

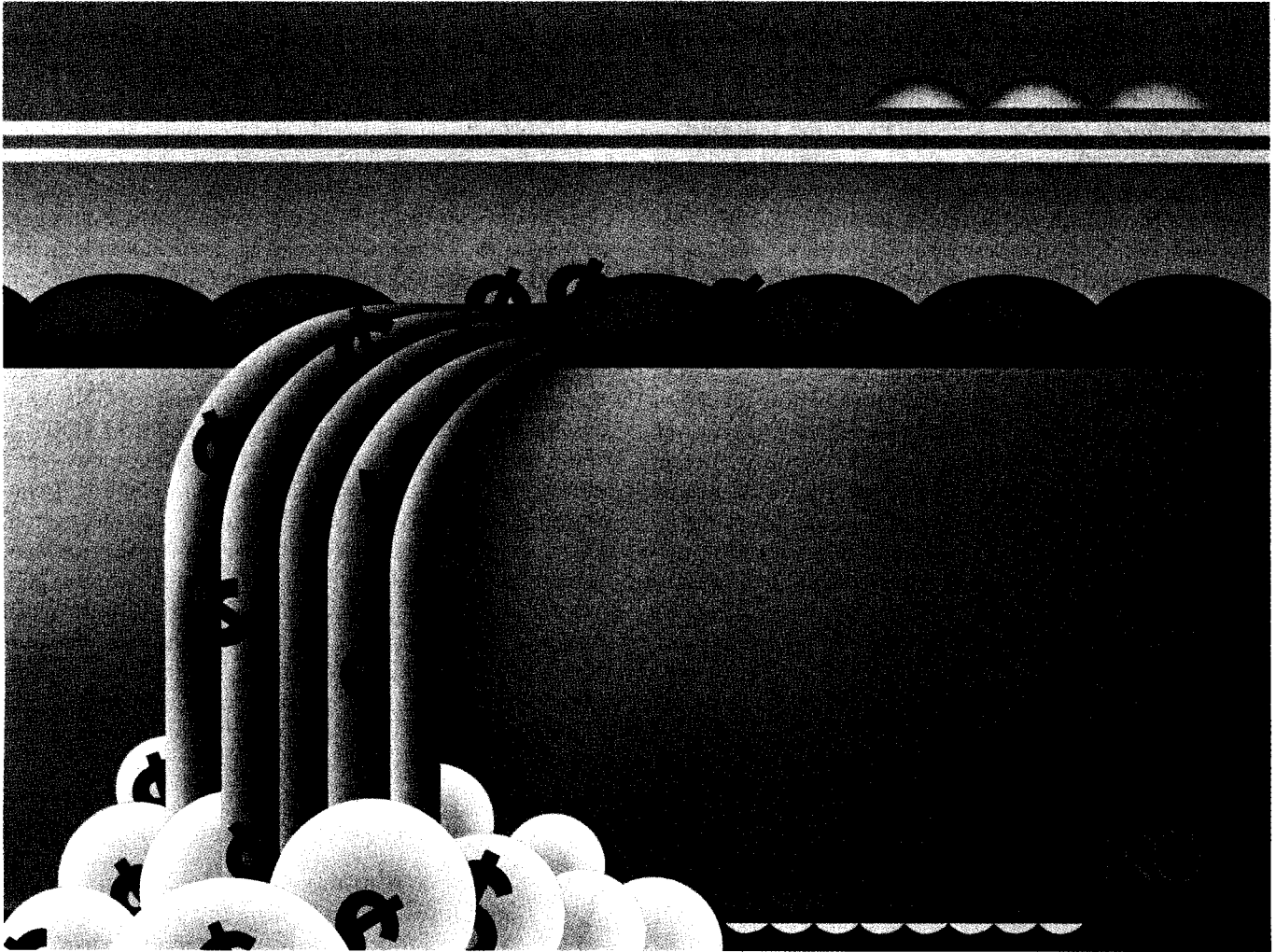
average, about \$9,500 a year in federal benefits to each elderly American (largely consumption). In contrast, we direct less than \$950 in federal benefits, including aid to education, to each American child (largely investment). In fact, *total* federal spending on net infrastructure investment and non-defense R&D, the benefits of which will last several generations, amounted to only \$357 per child in 1986. That's equivalent to the *increase* in federal benefits per elderly person that now occurs every six months.

But even if benefits per elderly person henceforth grow no faster than our economy, we can be certain that the total cost burden will. By about the year 2015 the age composition of the entire United States will be the same as that of Florida today. By 2040 there may be more Americans over age eighty than there are Americans today over age sixty-five. Over the next fifty years, depending on future fertility and longevity, our working-age population will grow by two to 18 percent, while our elderly population will grow by 139 to 165 percent.

The more "pessimistic" projection (to use the strange term applied by the Social Security Administration to the projection involving longer life-spans) implies that our labor force will grow by only six million people while our elderly population will grow by 46 million. Today each retired Social Security beneficiary is supported by the payroll taxes of 3.3 workers. By the year 2020 the ratio will have declined to at most 1:2.3. The official pessimistic picture shows the cost of all FICA-funded Social Security benefits rising to an obviously unacceptable 36 percent of every worker's taxable pay by 2040, from 13 percent today.

Health-care hyperinflation: The novel cost-saving reforms introduced four years ago to Medicare and Medicaid (such as the new prospective pricing now used by Hospital Insurance) stirred widespread hope that we had turned the corner on the rapid growth of health-care spending. Today such hope has faded. Although total U.S. health-care spending as a share of GNP fell slightly in 1984 (from 10.5 percent to 10.3 percent), it rose anew, to an unprecedented 10.7 percent, in 1985, and further, to 10.9 percent, last year. We already know that the rate of inflation for medical care was 7.9 percent in 1986, a rate about seven times higher than the rise in the Consumer Price Index. Optimistic projections made by federal health officials just two years ago are already in shreds. As the Health Care Financing Administration admitted in its report last year, "Little relief appears to be in sight . . . The decline in the share of GNP going to health in 1984 appears to be a one-time blip in the historic trend rather than the start of a new trend." Health-care benefits as a share of the federal budget, meanwhile, did not experience even a one-year dip. They have risen every year of the 1980s and now amount to about \$120 billion annually, or 25 percent of all federal benefit spending.

The underlying causes of America's health-care cost explosion have been discussed at length elsewhere: the rapid climb in real technological and labor costs per treatment, the impressive increase in the number of treatable acute



and chronic illnesses, and, of course, the stubborn persistence, in both the public and private sectors, of inefficient health-care regulations and perverse, cost-plus reimbursement systems that insulate both health-care professionals and patients from the cost of treatment. Amazingly—even with the federal reforms enacted in this decade—Medicare has shown nearly the same real rate of annual growth in the 1980s (8.2 percent from 1979 to 1986) as it did in the 1970s (8.7 percent from 1969 to 1979). As recently as 1975 Medicare's total cost was only \$14 billion. Last year it was \$74 billion, and it may well hit \$100 billion by 1990. By 1991 outlays for Hospital Insurance, which account for two thirds of Medicare benefits, may already start to exceed payroll-tax revenue. Thus, without further reform the Hospital Insurance trust fund will almost certainly go bankrupt by the end of the 1990s.

Why have the reforms thus far proved ineffective? A large part of the problem is that *per capita* health-care costs are rising much faster for the elderly than for the population as a whole. Longer life expectancy means disproportionate growth in the oldest age groups, and it is well documented that every measure of health-care utilization rises steeply from age sixty-five on. In 1982, for instance, the average reimbursed hospital cost for Medicare enrollees

over age eighty-five was two thirds higher than that for enrollees aged sixty-five to seventy-five. The average per capita cost of long-term care is ten times higher for the "old" elderly than for the "young" elderly, and the high cost of long-term nursing care for the elderly, which is not covered by Medicare, is steadily encroaching on means-tested public benefits not primarily designed for the elderly. In 1984, for instance, though the elderly made up only 10 percent of Medicaid's beneficiaries, they accounted for nearly one third of Medicaid's total spending.

Experts at the Health Care Financing Administration now project that health-care spending in the United States will hit 15 percent of GNP by the year 2000. Do we really think we can become competitive in trade while allocating a still larger proportion of our scarce supply of capital and skilled labor to health-care consumption? According to Lee Iacocca, the Chrysler Corporation pays more money to Blue Cross/Blue Shield every year than it does to any other supplier. Sooner or later we must debate health-care spending in terms of affordability. We must ask why, for instance, we continue to devote so many resources to comforting us at the end of life (more than half of an American's lifetime health-care costs are incurred after age sixty-five), while we pay a Head Start teacher less than \$10,000

annually to prepare us at the beginning of life. Other industrial countries are facing such questions with both common-sense humanity and a steady eye on the future. We alone are not.

Uncontrollable indexing: The history of the indexing of non-means-tested benefits is one of the sorriest stories in federal policy-making. Perhaps the most flagrant case in point was the egregious “double-indexing” of Social Security cash benefits enacted in 1972, which essentially pushed up the benefits for new retirees by two CPI indexes at once. This was a colossal error that caused the average retiree benefit to grow far faster than either prices or average wages during the mid-to-late 1970s. The error was apparent to nearly every policy expert as soon as the legislation was passed. But though Congress took only several weeks to debate and pass the 1972 Social Security amendments, it required several years to correct the mistake. In the late 1960s only six percent of all benefits were indexed; today 78 percent of all benefits are indexed to one price index or another, including nearly every non-means-tested cash benefit. The result, quite simply, has been to render outlays for benefits uncontrollable by either Congress or the President.

Most important, indexing makes it impossible for elected policy-makers to reorder their spending priorities by gradually allowing real benefit levels in some programs to fall behind inflation while committing new resources to new problems. This perversity is highlighted by the names that we give to these two types of spending (“discretionary” to outlays earmarked for national investment, and “entitlements” to outlays earmarked for personal consumption).

Back in the early 1970s, when most federal benefit programs were first indexed, none of these problems seemed to matter much. Back then, after all, real federal spending, real GNP, and real wage levels were all still growing rapidly. Today such problems obviously do matter. Facing the prospect of declining or (at best) stagnant real consumption per worker over the next ten or fifteen years as we do, it follows almost by definition that during many of these years we will see prices rising faster than after-tax wages. Each year this occurs, indexing will automatically cause benefit spending to grow faster than wages are growing. The very nature of indexing will then pose genuine questions of equity: to what extent should beneficiaries not in poverty be “held harmless” from downward jolts in the standard of living that affect all other Americans?

To say that the fundamental forces driving up federally financed consumption are aging, health-care inflation, and indexing is not, of course, to say that there is any painless way to avoid them. They cannot be avoided, precisely because all three forces are so closely connected to the shape of our population, as well as our technology, expectations, and political culture. We can, however, speculate on the consequences of trying to avoid them. Recently I asked James Capra, an expert on the federal budget (an unequaled forecaster of our current deficits), to make a forty-

year projection of the federal budget—given no change in defense or domestic policy and using the same long-term economic and demographic assumptions that are used by the Social Security Administration.

The results? Using the official pessimistic assumptions, total non-means-tested benefit spending—in the absence of any new benefit provisions—will rise by an amazing 9.6 percent of GNP by 2025, as the retiring Baby Boom generation claims its health-care and cash retirement benefits. By then the explosion in Medicaid-funded nursing care will add another 1.2 percent of GNP. All told, assuming that the totality of other federal costs grows no faster than our economy, the total projected federal outlays for fiscal year 2025 will amount to about 35.4 percent of GNP. Outlays for benefits will consume 22.3 percent of GNP—a sum nearly equal to the entire federal budget today—and outlays for Social Security and Medicare alone will consume more than 31 percent of workers’ taxable payroll. These incredible results are most certainly not *predictions*; instead they are *projections* of the future of our present policies. That these outcomes seem impossible is a virtual guarantee that they will be just that. What they mean is that today’s policies are unsustainable. They will be radically changed. The only question is how—whether in a political spasm or gradually, allowing those affected to plan ways of coping.

From Denial to Reconstruction

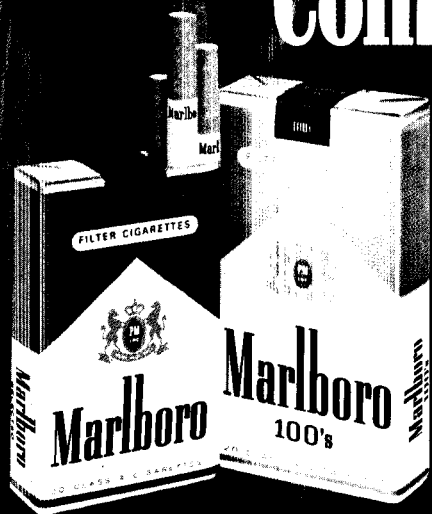
WE FACE A FUTURE OF ECONOMIC CHOICES THAT are far less pleasant than any set of choices we have confronted in living memory. What, concretely, will these choices entail? Looking into the future is always a dangerous task, but here is my attempt to sketch a sequence of future economic issues that will change our lives. My sketch follows the probable chronological order—near-term, medium-term, and long-term—in which reality will impose these issues on us.

The near term (1988 to 1992): Over the near term (a period that already exceeds the “long-term” time horizon of almost every legislator and executive policy-maker) America’s primary economic challenge will be to extricate itself from growing foreign indebtedness without touching off a global crisis. The single most important step toward a successful outcome will be for America to generate steady, large, and predictable increases in its net national savings rate over the next several years. This, in turn, cannot be accomplished without steps to eliminate the federal-deficit drain on private savings. Fiscal balance is thus the cornerstone of any plan to cut our trade deficit.

So long as the U.S. demand for foreign savings remains insatiable, any attempt to force-feed U.S. exports to foreigners in any one sector or to any one country will simply be vitiated by a stronger dollar, which will tend to worsen the U.S. trade balance in all other sectors or with all other countries. It’s like placing a few sandbags on top of an overflowing dam: you can change where the water will



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The Ugly Duckling.

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couldn't read it.

As a boy, Hans Christian Andersen had a learning disability.

Today, over ten million normal, bright American kids have the same trouble. They see letters reversed or in the wrong order.

If you know a child who may be wrestling with this hidden handicap, write to us now for help and information.

Hans Christian Andersen overcame his learning disability, and became one of the world's most beloved story-tellers. With help, today's kids can also learn to let their intelligence and creativity shine through.

Just remember how wonderfully that "ugly duckling" turned out.



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spill over, but you can't change the fact that it will spill over somewhere. If there is little action on the federal budget over the next five years, therefore, the odds of a global crash landing will certainly grow.

As we have seen, a successful escape from our foreign-sector imbalance (barring an improbable near-term leap in U.S. productivity growth) could be accompanied by a decline in real consumption per U.S. worker. Over the next five years, in other words, we must be prepared for a perceptible fall in real after-tax employee compensation combined with a similar decline, or at best a stagnation, in real government spending—both in benefit payments and in defense spending. On the positive side, we can look forward to a rapid expansion in U.S. manufacturing output and employment, a steady improvement in our trade balance, and a steady decline in the rate of foreign-capital inflows (slowing, though not stopping, the deterioration of the net U.S. investment position by 1992). But, in order to avoid the crash scenarios, there is plenty that we must also prepare for on the negative side: a further (though modest) decline in the exchange rate of the dollar, considerable inflationary import-price pressure, and a very tough assignment for the Federal Reserve Bank and its new chairman, Alan Greenspan—finding an interest rate high enough to control inflation and keep the dollar from collapsing, yet low enough to avoid a serious U.S. recession. Most likely, the Fed will have to strike a balance between bad news on both fronts: some accommodation to inflation (as import prices rise) and some accommodation to higher interest rates (as foreign lenders get finicky).

For most working Americans the coming decline in the growth of real household consumption will probably be felt not in any marked change in dollar salary raises but rather in the erosion of real dollar income caused by unavoidably swifter inflation. Wages in manufacturing, exportable business services, and energy will climb much more steeply than wages in other sectors—a trend reversal from the early and middle 1980s which many Americans will welcome. The indexing of federal benefits, meanwhile, will become a major political issue. Not only will steady reductions in budget deficits be difficult to sustain without a major reform of indexing, but 100 percent cost-of-living adjustments for middle- and upper-class federal beneficiaries during years of declining real income for most American workers will raise reform as a stark question of equity. The cost-effectiveness of defense and foreign-aid spending will also come under increasing scrutiny. Since we know full well that it will take a heroic effort to find the resources for eco-

nomics investment alone, it is totally incredible that we could fund both our domestic obligations and our current global military obligations. By the end of this decade, therefore, it is likely that the United States will raise strategic “burden-sharing” as a routine point of discussion in our economic summits with other industrialized powers.

The medium term (1992 to 2007): The fifteen years that follow our near-term period promise to be a crossroads in our nation's future. As Americans enter this era, five years from now, they may still be uncertain whether the United States has successfully worked its way out of its foreign-sector imbalance. Ironically, it will probably be a signal of impending disaster if real per-worker U.S. consumption is significantly higher in 1992 than it is today, and it would almost certainly be a symptom of worsening global imbalance. Other symptoms would include minimal reductions in our budget deficits and in our credit inflows, further cuts in our net domestic investment, high interest rates, and special ad hoc arrangements to keep our creditors happy—such as yen-denominated Treasury bonds or de facto foreign veto power over U.S. monetary policy. More likely, we will see a considerable dampening in real per-worker consumption, and we will be worrying about (or trying to recover from) a long recession characterized by stagnant global demand.

But twenty years from now, when young adults currently entering the work force are approaching the peak of their careers and when the oldest Baby Boomers are contemplating retirement, the foreign-imbalance problem will have been resolved, one way or the other. By then we may have entered one of the prolonged crash scenarios sketched earlier—the decline of the bumpy British variety or the indefinite depression of the 1930s variety. If, on the other hand, we have resolved the problem successfully, we can expect that our current-account deficit will have declined steadily during the early 1990s and will be turning into a modest surplus by the late 1990s. As that happens, the focus of our policy debates will likely shift from the problem of reducing our foreign borrowing to the challenge of raising our level of domestic investment. Over the near term most of our extra savings must be focused on

raising net exports, which is our sole means of weaning ourselves away from foreign creditors. Only later will we be able to concentrate on the more rewarding task of reconstructing our future. Only after paying off our credit-card bills, so to speak, can we think of buying a new home.

The long term (2007 on): Should America not make investment its number-one policy priority in the medium term, it will surely have

The United States must renounce the policy of the past six years of “global Keynesianism”—the policy of being everyone’s buyer of last resort.



to pay the price in the long term. It will not be a price denominated solely in terms of labor productivity, real wages, and global political influence. The price will also include an utter lack of preparation for the most stunning demographic transformation—from workers to dependents—in American history. In the fifteen years between 2010 and 2025 the number of Americans who are of working age will decline by perhaps as many as 12 million (from 174 million to 162 million). Meanwhile, assuming that current longevity trends persist, the population of elderly will grow from 42 million to 65 million. If investment, retirement, and health care for the elderly seem unaffordable to our society today and for the next twenty years, when a “boom” generation is working and a “bust” generation is retiring, we can only imagine how unaffordable they will be thirty years from now, when the situation is reversed.

If in the medium term the Baby Boom has channeled a sufficient share of its income into education, training, tools, and infrastructure to permit a quantum leap in productivity by the next generation of workers, it may enjoy a prosperous and contented old age. But if the flow of invested endowments from each generation to the next has ceased—and if each generation instead insists on its “right” to consume all its own product and part of the next generation’s as well—then we can count on a meager and strife-torn future.

In any summary discussion of America’s prospects in the near, the medium, and the long term, there is one theme that must be emphasized above all others: the indissoluble bond between the economic behavior of one decade or generation and the economic well-being of the next decade or generation. Over the near term we must accept the punishment we are inheriting from the ill-fated gamble of Reaganomics. Similarly, over the medium term we must overcome the low-investment heritage we have received from thirty years of postwar preoccupation with “demand management.” Both tasks will require a determined effort to save. We will have to raise our net national savings rate, now somewhere between two and three percent of GNP, to between six and seven percent of GNP in the coming five years (a level still beneath our level in the 1970s) and to between 10 and 12 percent of GNP within twenty years (a level far beneath that of Japan’s, but just about on par with the average for today’s industrial countries). By the first decade of the twenty-first century, in other words, we will have to be rechanneling yearly into investment some \$450 billion that we now spend on private and public consumption.

We face a future of economic choices that are far less pleasant than any set of choices we have confronted in living memory.



THIS BROAD PRESCRIPTION has implications not only for action but also for understanding. The question is not the easy and popular one of where to invest but the brute one, ignored by both political parties, of where to find the resources. Thus, in the coming election year we need to apply a critical yardstick to the policy proposals of the presidential candidates: Does this proposal face up to the long-term problems caused by

our neglect of investment in favor of consumption?

Our problems are not, at bottom, economic. We are stymied by our lack of *political* consensus on economic policy—something unimaginable to our Japanese and German trading partners, for whom national consensus (born of national crisis) informs decisions on savings, investment, productivity-related wage increases, exports, and money-supply growth.

With the proviso that we must put a very large question mark over the capacity of our political system to deal with the nation’s economic problems, I offer these brief policy suggestions.

First, we must tame the federal budget deficit. Real defense spending has been effectively frozen for the past couple of years, and we may be at a crossroads in foreign policy which will allow us to make substantial future savings in security expenditures. Greater sharing of the burden by our NATO allies is clearly on the horizon; it should proceed proactively, not reactively (that is, not simply in response to one financial crisis or another). I believe the time is also right for a historic arms treaty with General Secretary Mikhail Gorbachev, whose nation’s resources are far more severely constrained than ours and who desperately needs breathing space. The deal I envision would cover the more costly and, when one considers the size of the Soviet tank armies, more plausibly threatening conventional forces, as well as strategic weapons. A new international division of labor remains to be worked out with Japan. The agreement that I think is needed would have Japan provide, for example, far more World Bank support, aid not tied to its exports, and more incentives for major capital flows to Third World countries; further, it would forge a U.S.-Japan strategic-economic partnership in areas of the world critical to both countries—Latin America, say. In turn, the United States would continue to provide military assistance to Japan. Finally, the newly industrializing countries can no longer simply be beneficiaries of an open world economy. They must now join the club of the industrial countries and pay their dues, including aid to the poorer countries.

As for domestic spending, we must above all slow the

growth in non-means-tested entitlements, starting with a reform of benefit indexing. Cutting the non-poverty-benefit cost-of-living adjustment, or COLA, to 60 percent of the CPI (a "diet COLA"), for instance, would save about \$150 billion in federal outlays annually by the year 2000. Gradually raising the retirement age and lowering initial benefits to the relatively well off (for example, those with histories of high wages) should be combined with the taxation of all benefits in excess of contributions, which could save well over \$50 billion annually by the year 2000. Note that under this proposal the progressivity of the tax system would leave intact benefits that go to the poor. There are those who protest the "humiliation" of the means test; however, these reforms go far toward honoring the principle of need, doing so implicitly rather than explicitly.

We should also take a more serious look not simply at the unfunded liabilities of our federal retirement programs but at all the various elements of a grievously costly fringe-benefit pension program. Civil-service and military retirement programs should be made part of a *total* compensation package comparable to those in the private sector. They should gradually be made self-supporting (that is, funded as our corporate pension plans are), through a combination of benefit reductions (with special emphasis on lower initial benefits and later retirement, as well, of course, as reductions in COLA indexing) and higher contribution rates.

Second, we must act decisively to put a lid on America's excessive and wasteful consumption of health care, three quarters of which is either funded directly from public budgets or paid through publicly regulated insurance systems. This is not the place to enter the thicket of specific health-care reforms, but we must begin to experiment in earnest with various means by which to replace the horrendous, indeed perverse, inefficiencies of the current "cost-plus" system with the discipline of market forces (for example, greater cost-sharing, or the use of medical vouchers).

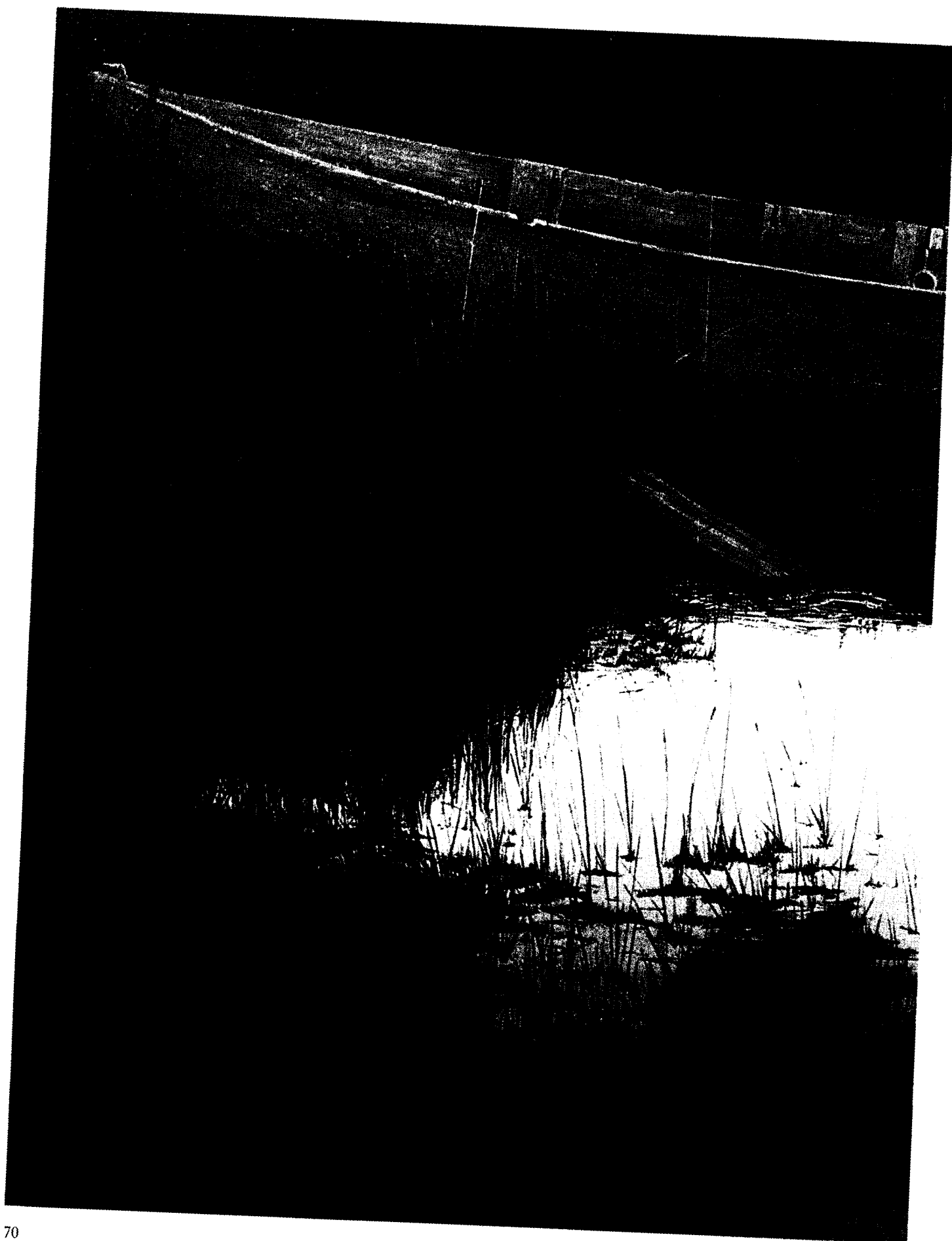
Third, to the extent that our federal deficits cannot be eliminated in the near term by simply deciding to spend less, we must increase federal revenue. The Reagan Administration has steadfastly opposed tax hikes by claiming that they would permanently sanction an increased "tax burden." But surely the alternative is worse: to sanction permanently an increased "debt burden." My choice among revenue options is some form of consumption-based tax. A phased-in tax on gasoline of twenty-five cents a gallon, for instance, would generate about \$25 billion a year by 1990—and also serve to depress world energy prices and moderate the now-rapid rise in our oil trade deficit, without destroying the global competitive position of critical export products such as petrochemicals. A broad-based five-percent value-added tax on all products would of course generate considerably more revenue—more than \$100 billion in 1990, or enough to halve the federal deficit.

Fourth, over the longer term we should encourage higher private-sector savings rates by trading off increases in consumption-based taxes for reductions in investment-based taxes. Our industrial competitors, after all, have already adopted the principle that people should be taxed more according to what they take out of the pot than according to what they put in. Most of those countries do not tax corporate income twice; most of them do not tax interest, dividends, and capital gains as ordinary income; and most of them do not allow sweeping personal exemptions for home-mortgage interest, for employer-paid health care, and for unearned public retirement benefits. At the same time, all our industrial competitors have much higher household and corporate savings rates than we do. It's time our policy-makers put two and two together.

The least productive enterprise Americans can engage in—though it is virtually second nature—is trying to place the blame for what has happened to our economy in the 1980s on one political party or ideology. Blame is beside the point, for it is something we all share. To be sure, it is easy to find fault with the conservative fiscal leadership of the current Administration. (Indeed, I will confidently predict that in the years to come President Reagan will lament his May, 1985, decision not to support his own party's leadership in its effort to freeze entitlement COLAs. President Richard Nixon, after all, has come to lament his decision to sign those COLAs into law.)

But, clearly, the liberals and the Democrats are equally to blame. Long before Reagan entered the White House, liberal opinion leaders persuaded the public to regard the budget and the tax code as engines of free national consumption. It was a Democratic Congress that argued in favor of deficit spending for so many years that no one could recall (with only one budget surplus since 1960) the rationale behind fiscal balance. And it was a Democratic President who pioneered the art of disingenuous forecasts (when President Johnson signed the Medicare Act, he said that an extra \$500 million in federal spending would present "no problem"; today Medicare costs 150 times more than estimated). The very success that the Democrats enjoyed in promoting consumption, in fact, persuaded Reagan's conservative backers to dish the Whigs and beat the opposition at their own game.

Reaganomics was founded on a bold new vision for America, yet today—another irony—we hear every politician who is warming up for the 1988 campaign, Republican and Democrat alike, complaining about the lack of vision in America. The reason we feel adrift is that we are waking up to the fact that blind and self-indulgent gusto is not vision at all but denial. True vision requires the forging of a farsighted and realistic connection between our present and our future. It means recognizing in today's choices the sacrifices all of us must make for posterity. America's unfettered individualism has endowed our people with enormous energy and great aspirations. It has not, however, given us license to do anything we please so long as we do it with conviction. □



*Comings and goings on a
continent's vacant lot*

THE SALT MARSH

BY FLOYD C. STUART



I ROLLED DOWN THE CAR WINDOW AS I SPED THROUGH the dark, sucking in deeply the aroma of salt marsh, elemental and frank, to drive the odor of perfumes out of my head. Earlier that evening I had strolled through acres of the Maine Mall, in South Portland. Fumes of exotic soaps and powders and colognes filled the department stores, an olfactory summation of a glittery, titillating way of life that I have grown unused to.

I rubbed elbows with customers, handsome and trig, who seemed to accept video games and personal computers as everybody's norm. From a balcony I gazed up at mobiles floating high above the main level; I bowed my head and meditated on the cleavage of a girl selling watches and rings. The colors and lights, the inexhaustible merchandise and milling people, were exciting. Plaster men and women as young and perfect as I should have been gestured to me, suggesting what I needed. At every turn mirrors showed me what I was. On the sides of the escalators they reflected a dozen pairs of suede casuals, gold-strapped sandals, and high-powered racing sneakers. I got dizzy and left.

The road I took back to my motel passes through a salt marsh—a fragrant, 3,000-acre blackness that winds toward the vaster blackness of the North Atlantic. A marsh smell is nothing you convince anyone about: it is either the stench of putrefying garbage or a tangy whiff of pure existence.

I slowed the car and breathed in a subtly blended es-

sence of spartina grasses; mud rife with bivalves, annelids, and algae; a hint of iodine; decaying vegetation, fish, and crabs; and, because this is an unpolluted marsh, only the normal tinge of the rotten-egg smell of hydrogen sulfide. The headlights of the car cut the dark in half. For the moment I was alone on the highway that strikes across an inland narrowing of the marsh. The honest smell untensed me, and suddenly a dead man flitted through my mind. A few springs ago he had been found here, stuffed in a plastic trash bag. The police had identified the victim as an older "transient." A bum. They would never know who had killed him, or why.

A salt marsh is a continent's vacant lot, almost a non-place, where we dump garbage from our industries and murders. But left to itself, a marsh is a clean space: flushed out twice a day, chock-full of bacteria fastidiously dicing up what has died into a detritus for larger creatures to dine on too. The tides are a feast, bringing in guests from the ocean deeps, uncovering delicacies for herons, egrets, and gulls. Biologists have estimated that about two thirds of all marine life is dependent on estuaries and marshes. Acre for acre a salt marsh is one of the most productive habitats there is. The faint odor of death is a reality of a marsh; that perfume clings to all our lives.

On my way back from the mall I drove over a culvert. Below me the swiftest of the marsh's three rivers ran toward the sea. Near here, a year or two before the murdered bum was found, a twenty-two-year-old woman, driving alone late at night, had gone straight where the road curved right. The car neatly missed the guardrail and rocketed into blackness. The woman probably had fallen asleep at the wheel. She slumped for a whole summer and part of an autumn in her overturned Honda on the bottom of a particularly deep tidal channel. The water in a salt marsh is a soup of silt, spartina bits, dead crabs, seaweed fragments, yearling eels, and flecks of mussel shell. You cannot see far in. Search helicopters hovered above the Honda and missed it. Not only was the turbid water deep, it was also the color of the overturned vehicle.

The young woman had been going to visit her boyfriend. For a summer and a fall the hulls of canoes floated above her like dark clouds: children and fathers, solitary bird watchers, lovers preoccupied with each other. One morning in October, after a severe storm that must have ground the Honda onto a shallower bottom, a passing driver spotted the upside-down car in the channel. Later, subtle traces of tire tracks were discovered where the car had crossed a length of marsh before plunging into the water. Hood, tires, grille, head lamps—all were encrusted with barnacles. The dripping car that emerged from the tidal channel looked more like a creature of the marsh than of a mall parking lot.

I kept awake on my drive to the motel. The tide reached its height, hesitated, and then started flowing out, a great, cleansing respiration that must have made my deep-sleeper's breathing in the rented bed seem frenzied and ephemeral.

I WAS BACK ON THE SUNNY MARSH BY MID-MORNING, ten-power binoculars slung from my neck, a dime-sized, fourteen-power magnifying lens in my pocket, and two flower books and a bird book in my hand. It was well into September, when an autumn chill should have been upon the marsh. Sweat beaded on my forehead. There was no breeze, and the temperature seemed headed for the nineties.

We do not come to the marsh to hay anymore, driving horses fitted with wooden bog shoes onto the sopping ground. We do not heap teepees of hay on staddles—clusters of ash pilings pounded into the marsh to make a platform so that the ricks won't float away on the higher tides. One can still find staddles: they are about two feet high, and below ground level the wood is as sound now as the day it was cut, although many staddles are more than a hundred years old. We do not fetch hay off the staddles when the mud has frozen into firm road for teams and wagons. At dusk the white-tailed deer still drift out to graze. We no longer sneak onto the marsh to slaughter by the thousands curlews and golden plover. Our lives have changed. But we do return, and launch our canoes into the sinuous tidal channels, or watch egrets waft upon the marsh like blank pages torn from a notebook. We glide past delicate sprays of sea lavender blooming atop the muddy banks. And during a summer hundreds of us, by ones and twos in our canoes, ghosted above a speechless woman crumpled in a Honda. We paddled toward the North Atlantic and back, and could not see.

The last of the tide was going out when I walked onto the causeway, an abandoned railroad bed that crossed the mile-wide marsh. The waters of the main channel were sucking noisily at the causeway boulders. On the high marsh *Spartina patens* often makes cowlicks—swirls of flattened grass where the marsh beasts seem to have bedded down for the night. This is the way this spartina does, bending at a curious weak spot near the base of the stem and leaning on its neighbors. In the morning light the cowlicks are brushed-silver medallions among the greener standing stems. The spartina is anchored in mud and its own decayed past, and neither sea nor the fist of man



could easily uproot it. Stray hurricanes, the steady battering of winter storms, and the grinding rafts of ice loose upon the tides do not, in the long run, change the marsh very much. The mud and the spartina with its weak spot are too powerful for mere wind and waves. Storm-gored, the marsh heals itself. And we come, transient, not well adapted to the harshness of existence, as though here, in the strange, rustling grasses between sea and land, we might learn to heal ourselves.

I looked at birds and at what was growing along the causeway, refreshing a memory that is sometimes dulled by inland living. I stooped to seaside goldenrod. The bulbous pods of sea rocket, a common mustard, stopped me in my tracks. I sat down in the dust and thumbed my guidebooks, dotting the pages with sweat. Something fragrant, maybe a kind of sage, distracted me, and then two more plants that I could not identify; I am clumsily self-taught. A firehouse siren cranked up and I heard it, but not with any conscious attention. A cormorant beat by, silent as always, his yellow chin patch flashing. We still follow the usage of the early English settlers of this coast and call the bird a shag. He lighted on the top of a utility pole at the footbridge and stretched his scrawny wings to dry. This salt marsh is incomplete without a black shag cross nailed atop that particular post. Shags are swift and lethal swimmers beneath the sea, and because they do not secrete waterproofing grease upon their feathers, as ducks do, water weights them down so that they can dive more readily. But now and then the burdened shags must perch on ledge or buoy or piling and hold out their wings to the wind.

I SAT IN THE DUST AND DRIPPED ON MY BOOKS, SNATCHING glances at the shag through binoculars, squinting at others and filaments waving into the magnifying lens like the arms of a giant squid. Sometimes I paused, and laid my lenses aside, and saw how circumscribed the world was. The green line of woodland across the marsh arced to distant highway and swept behind the culvert into scrub, which bent to the sandy spit in the brilliant haze where ocean and marsh touched. Twists of land concealed the North Atlantic.

The wallop of sirens, insistent and multiple, broke my trance, and I looked up from my flower book. A car towing a camper was parked on the gravel shoulder by the culvert that I had driven over the night before. A pickup was stopped nose-to-nose with the car, but the two vehicles did not appear to have collided. The road along the rim of the marsh was deserted except for a small yellow pickup parked near the guardrail on the other side of the highway. A bar of blue lights stuttered atop the cab. A policeman leaped the guardrail and disappeared down the farther bank. A few seconds later he shot up, dashed across the road, and scrambled down the weedy bank to the culvert as if he expected something to flume through. Cars were pulling off the highway—thirty within a few seconds, it



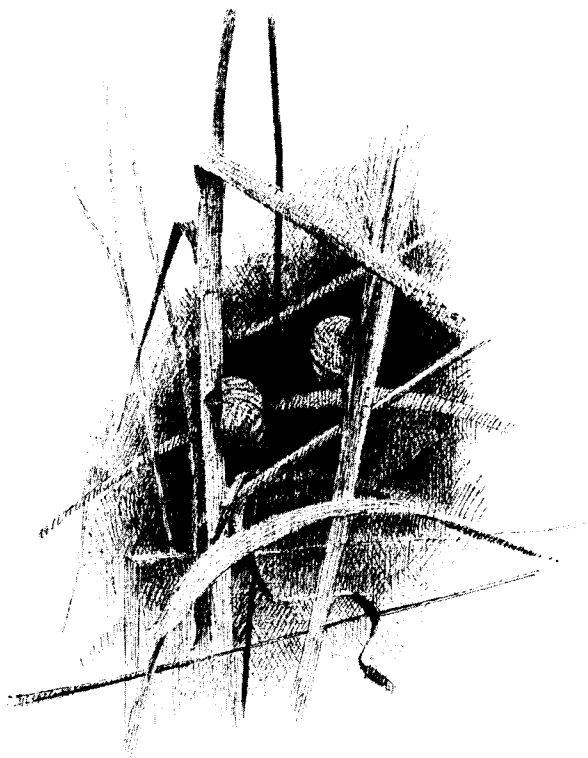
seemed. Some people were gawkers, but others leaped down the bank as if they had business. They peered up the culvert and then focused their attention on the water in front of it. All the while the sirens whooped. The high-pitched ones belonged to approaching vehicles, but a throatier, incessant honking came from the fire station, a few miles off. Red and blue lights glittered along the highway from both directions.

I watched real life—whatever it was that was happening—and yet a restricted life, in a neat binocular ring. The tide was nearly out, and the green-slimed remains of an old wharf or a bridge, which earlier that summer I had canoed over during high tide, jutted out of the mud and the narrowed channel. Beyond the rotten pilings the channel makes a broad loop, parallels the highway until it reaches the culvert, and then swings out of sight behind spartina. At high tide, water had nearly licked the roof of the culvert, which is about eight feet tall. Now a frothy gush a couple of feet deep—still too emphatic for a man to stand up in—pulsated out of the shadow. The policeman stood in street shoes on the muddy shore, peering into the deep pool in front of the culvert.

A young fellow in blue jeans and sneakers, and naked to the waist, waited docilely, like a girl letting someone hem her dress, while two other men tied a red lifeline at the small of his back. Then he eased into the pool beneath the culvert waterfall, adjusted his snorkel mask, and floated on his face just under the surface of the water, like a corpse. His companions held onto his red umbilicus for dear life. From somewhere outside the circle of my binoculars men kept spilling down the bank. Suddenly the scene stalled—silent men lined the shore, the red tip of the snorkel tube was stationary in the pool, spartina blades were quiet in the heat—and yet one sensed a tremendous

urgency. On the bank a man in a T-shirt, slacks, and sneakers waited impatiently while others checked the air tank on his back and fastened a lifeline around his waist. The snorkeler rose out of the pool, stooped and dripping, and spoke briefly with the scuba diver, and then both of them slipped beneath the water.

Crooked lines of cars now littered both shoulders of the highway for hundreds of feet in either direction from the culvert. It looked like a chain-reaction accident on a freeway, and yet amid all the apparent confusion emergency vehicles moved quickly and efficiently. A fire truck roared up, and although several men were in uniform, most of the men clambering on the bank or holding lifelines were in civilian clothes. It was Sunday, and several men standing in the mud wore white shirts and slacks, as if they had rushed



out of church. Volunteer firemen, I guessed, remembering the blating fire-station horn. Down the straight reach of highway an ambulance wove between the parked cars, its flashing lights faded in the sun, its siren sounding louder and louder. The white box shimmered in the heat, as if the pitch of its own siren were melting it. I swung my binoculars back up the road, and from a seaside town came a fire engine towing a lifesaving raft—a sight not incongruous on our coast.

I could only guess at what was going on. I was sitting in the midst of exciting events and yet was isolated at the edge. A silent hammer of heat beat upon my head and shoulder blades. For protection I put on the drenched T-shirt I had earlier peeled off. Insects leaped from cupped umbels of Queen Anne's lace and from stalks of grasses,

crisscrossing my lap, flitting onto my anklebone, or resting a moment in the shelter of my cutoff blue jeans. A diver's arm smacked water and I saw the spatter of silver splinters, but I heard at this distance only the September buzz of insects: nothing ends, ever ends, ends . . .

The men were fighting vicious seconds to rescue someone under water; and they were just tiny figures in the tableau of living and dying, nothing new under the pelting sun.

AT NIGHT THE MARSH LURES US INTO ACCIDENTS; IT wraps dark arms around our murders. In the light of day we sometimes discover what has been done. At two o'clock one morning twelve years ago, a forty-year-old businessman was driving through the marsh on his way home. One car was ahead of him. Without warning it swerved off the road, crossed twenty or thirty feet of marsh to a pool, and tipped upside down into it. The tail lights still glowed as the car sank in ink. The businessman skidded to a stop, plunged into the chaos of the night marsh, and struggled toward the disappearing car. "I went up to my shoulders," the good man said later. "It was like quicksand, half water, half mud." The car was completely submerged when he reached it. And yet somehow he saw an arm dangling out the driver's window, and long hair flowing in the water. He seized them and tugged with all his might, yanking a nineteen-year-old girl into new life on the marsh that night.

The rescued girl's mother said that her daughter had fallen asleep at the wheel. "She was thinking of how good bed would feel. . . . She woke up in the marsh. She took a gulp of it and didn't know where the car window was." The businessman staggered out of the marsh with the girl, her head gushing blood. Several motorists had stopped and watched him fight to save the victim, but they did not help. The businessman shouted for someone to call an ambulance. No one would. He slogged onto the highway and civilization again. His arms were full of crying girl, and he asked the bystanders to open his car door. After a while someone did. He drove her to a state-police barracks. Later he apologized to the girl's grateful parents for having had to drag her out by her hair and arm, and said that he hoped he had not hurt her. The marsh had given the businessman tonsillitis.

THE FIREMEN WERE SWIFT. THEY SLID THE RAFT off the trailer, and half a dozen of them lugged it down the bank like a coffin, gripping the yellow rope looped along the black sides. The raft had a rigid bottom, about eighteen or twenty feet long and six feet wide, which was rimmed by an inflated rubber tube that came to a point at the bow. From the open stern the raft looked like two torpedoes with a great white outboard motor slung between. The name of the fire department and MARINE 4 were painted in bold yellow characters along the side. The

men moved almost tenderly, launching the raft, guiding it clear of the divers. A puff of blue smoke kicked up from the motor, and wafted off.

For a long time, it seemed, nothing happened. The divers disappeared at intervals, the scuba diver for longer periods. No one yelled or moved abruptly. The half-dozen men stood on the raft, watching red lifelines slackening and pulling taut upon the pool. Policemen and firemen had raced here to save a life, and now they could not even dredge up a corpse. I let the binoculars dangle against my

coast springing back since the tremendous weight of the last glacier melted off. From Cape Elizabeth north, the State of Maine littoral is abrupt headlands and surfacing island mountaintops; it is drowned river valleys become scraggly inlets and bays. A dozen thousand years is nothing: on our upstart coast post-glacial erosion hasn't really had a chance. The heat, new since the last ice age, beat upon me as I sat in that fledgling marsh. Above, the sky was blue pigment diluted with milk. The haze had bulk; the glare pressed like the ice sheet that a short while ago



chest, bored by a hiatus that would have been edited out of television news. Across the channel a line of gray utility poles stood beside the causeway. On each of the first ten a herring gull was perched like a flagstaff ornament. Waiting, for gulls, *is* the grand event. Nothing happened at the culvert for a long, long while—two or three minutes, at least.

Thudding heat and droning autumn insects correct one's perception of time. Three thousand years—the lifetime, so far, of this marsh—is barely a start. This is a sunken

had been a mile or two thick. The small sound of traffic muttered at the edge of things. Cut off from where human life was taking place, I learned a new kind of time. A mussel secreted a layer of its shell. Granite mountains deep in the interior eroded grain by grain and flowed down coastal currents, silting-in a bay, beginning a marsh. In the stasis of droning insects I thought that all of this was happening too fast.

A perfume-counter smell hit me, ephemeral and as hard as concrete. I suddenly imagined, with the wholeness of a



vision, a girl perched on the edge of her bed, intent and serene, resting her chin on her bent knee. She brushed a crucial swath of polish on the nail of her little toe. In the same second, inconsequential in the great grinding-down of the universe, a green wrecker backed as far as it could onto the bank beside the culvert, and stopped. Men unwound a steel cable from the winch and dragged it to the water.

Our comings and goings upon the marsh—restorative, quotidian, urgent—and the marsh itself are motes floating in a shaft of geologic time. We can be disposed of in a trash bag or a little car. We contain light years of courage and love. We refuse to help. The mother of the girl that the businessman saved told a reporter: “I can’t explain or say what I feel down deep. . . . Without him, she’d have drowned. We wanted people to know.” We are so vast and small, so much at home in this place where we are lost. Maybe it is not remarkable, then, that we sometimes say what can’t be said.

Droplets sparked off the cable as it tautened. I put the circle of my binoculars upon the empty pool with the length of rusty cable sticking in it like a spear. The point hit inside a V of steady ripples. Then the surface of the pool was disturbed; the V of ripples wobbled and broke. A silver bumper bulged into the air, water gushing off. The wrecker slowly drew from the channel the trunk of a Mercedes. The divers treaded water around the car like curious seals. The rear window was gone, and I could see a shallow dent in the rear of the roof. Half the car was now suspended on a thread from the boom of the wrecker. The Mercedes’s rear wheels hung from extended shocks like slack jaws. A waterfall tumbled off the roof, and men shoved into the ring of my binoculars, trying to peer into the car windows, which were blurred by saltwater greasiness. The Mercedes was an oxblood color accented by a sexy gold stripe along the side. I looked for slumped bodies inside, but glimpsed only slabs of daylight through the windows and between men’s backs as they huddled around the passenger compartment. The wrecker hauled the car well up onto the bank. Someone opened a door, and water spilled onto his feet. The men gingerly bent in. When they stood back, I could see: nothing. A fireman scraped a

handful of ooze off the plush seat and slopped it into the channel. The Mercedes, elegant and slightly dented, leaked and leaked. I wondered where the rear window was. Compression might have popped it out at impact; or maybe the scuba diver had used equipment I had not seen to pry it free. He did not retrieve the window from the pool. The men looked forlorn, at loose ends. They were used to saving lives and seeing death. They were not sure what to do with this. The empty Mercedes spread its doors like wings and squatted on the bank. The shag on the utility pole at the causeway footbridge tilted his beak in the snooty way shags do, and gazed elsewhere. The crowd melted from the guardrail. The rows of awkwardly parked cars were suddenly gone. Someone slammed the ambulance doors shut, and the white box turned around and went back. The red lights stopped flashing. Fire trucks disappeared, even the one towing the trailer. I put the glasses on MARINE 4, and the lifesaving raft put-putted down the channel toward me, the six men standing up and watching the water. The top of a two-way radio and a telescoped antenna stuck out of one man’s hip pocket. Even when the light was right, you could see only a foot or two into the sediment-laden channel. I swept the glasses upstream again: the wrecker and the Mercedes were gone, and the guardrail was deserted. All signs of human life, it seemed, had been sucked up the black hole of the culvert.

The men on the lifesaving raft passed me and disappeared around a bend in the tidal channel, searching for bodies that might have been carried toward the open sea. A car pulled up on the shoulder by the culvert, and two young men took a canoe off the roof. They launched it into the channel, innocent of the excitement they had just missed. They dipped their paddles and scanned the banks. They seemed to think that the world was new, and that they were the first human beings astir in it.

Was it murder, suicide, death by accident, or simply a stolen car? The searchers standing on the lifesaving raft explored the loops of the tidal channel. Once, their row of severed heads glided along a horizon of spartina like targets in a shooting gallery. Then they were lost for good. I wondered idly if in a hundred years the cement stumps of the mall would be as well preserved as the saddles in the marsh.

Grain by grain the mountains come down: little murders of ourselves and others, misadventures, stolen moments. Out toward the ocean the air was golden and kind of blue, thick with pollen, it seemed, and a powder of steel filings. It trembled a bit as if the world out there were on a shaky footing. A pinhead of light glittered on the spit where cottages and a tarred street ended abruptly at the beach. At first I thought the pinhead was a glint of anything—car window, waves. But it was red and rhythmic. Out on the last land the dome light of a fire truck flashed—the pulse of lifesavers doing the humanly possible. The firemen waited for their friends on MARINE 4 and what they might have found. Beyond the shimmering point lay nothing but the rumored Azores. □

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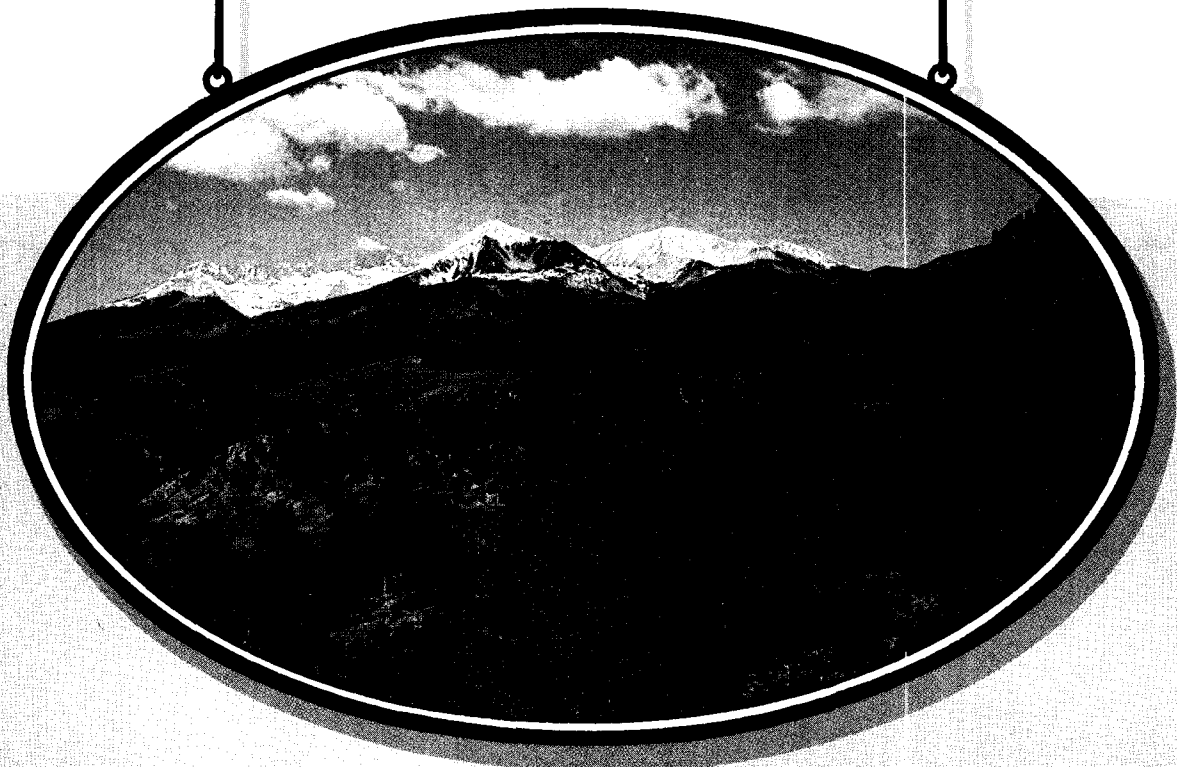
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A Short Story



AT THE WALLS OF JERICHO

BY G. W. HAWKES

THEY TRACKED PROPHET TO THE REFITTING YARDS and found him aboard the USS *Chester A. Arthur*, holed up in a paint locker.

"Come on out, Prophet," the lieutenant said.

"No, sir," said Prophet. He had got himself in there by design, and nobody was going to pull him back out. "I'm going to the war," Prophet said.

"The war's nearly over," the lieutenant said. "By the time this ship sails and you get there, you'll meet everybody coming back the other way."

"They won't end it till I get there, sir," Prophet said. "I've been promised."

"Have you got a gun in there, Prophet?"

"No, sir."

"You can't go to war without a gun."

"I'll pick one up later, sir."

"How about water? Have you got water in there?"

"No, sir."

"You're going to need water."

"I'll be all right, sir. Don't worry about me."

"But I do worry about you, Prophet," the lieutenant said. He leaned against a gray bulkhead and pulled a pack of cigarettes out of his sock. "Have you got any food in there with you?"

"No, sir."

"How can you go to war like that? You need a gun, and food, and water. How are you going to get by?"

"I've been promised, sir. Don't worry about me."

The lieutenant shook a book of matches out of his sleeve and lit a cigarette. "I have MPs here with me, Prophet."

"Yes, sir."

"I'm going to tell them to go in after you."

"Yes, sir."

"You sure you don't want to come out?"

"Yes, sir."

"All right." He turned to the brace of MPs he'd brought along, a couple of bulletheads with small eyes. From the Midwest, Lieutenant Parker guessed. The Midwest seemed to produce a lot of this sort of machinery. "Go get him," he said to one of the MPs.

The MP tried the hatch. "It's locked," he said to the lieutenant.

"Unlock it."

"Yes, sir." He took a run at the door, hit it, and twisted something under his shoulder blades.

"On second thought," the lieutenant said, "go find a seaman or somebody."

The MP pulled himself upright, straightened the brassard on his sleeve, and walked off. He was listing a bit, the lieutenant thought.

The lieutenant took a long pull on the cigarette and blew the smoke through his nose. "Don't make us come in and get you, Prophet. I'll cut this hatch off its hinges with a torch if I have to."

"It's a paint locker, sir," Prophet said. "Probably blow up the whole damn ship."

"You with it."

"Yes, sir."

That sounded too much like joy for the lieutenant. "Prophet?"

"Yes, sir?"

"I've been over there, you know."

"Yes, sir."

"It's not what you think it is."

"How's that, sir?"

"It's not a lot of John Wayne stuff, charging up hills, and planting flags, and being brilliant and brave. There's not much glory over there, Prophet, just a lot of wet weather, and sharp things stuck in the grass, and treachery. It's damned treacherous. At night lights fly through the air, lights everywhere, so you fire your weapon and hope you hit something." He put his cigarette out with his fingers and field-stripped it. "It's no place to be, Prophet."

"But I've been promised, sir."

The lieutenant sighed. "You wind 'em up," he said to himself. "Isn't that right, Sergeant?" he said to the MP.

"Yes, sir."

"How would you go about getting him out, Sergeant?"

The MP thought for a moment. The lieutenant could imagine gears working or, better yet, beakers on open flames with chemicals boiling over.

"I'd let the Navy do it," the sergeant finally said.

"Why?"

"It's their ship," the MP said.

That made some sort of sense. "But it's our Marine," the lieutenant said.

"Yes, sir."

"We take care of our own, right?"

"Yes, sir."

"But you'd still let the Navy do it?"

"Yes, sir."

"You may be right." Lieutenant Parker lit a second cigarette.

The other MP came back with a short, stocky, no-nonsense sort of woman, who was dressed in overalls.

"The New Navy?" the lieutenant asked.

"No, sir," the MP said. Neither of his MPs had a sense of humor. "This is one of the refitters," the MP said. "There ain't no Navy anywhere aboard this barge, 'cept for the OD, and he's asleep."

Lieutenant Parker turned to the woman. She had, for some reason, brought her welding gloves with her; she held them bunched in her right hand and stared at him with that same dumb, patient waiting that his MPs showed.

"A man is locked in the paint locker," he said to her.

She looked at the hatch and reached a hand out to feel the dent his MP had put in it. "These hatches don't lock," she said. "They've got watertight dogs outboard—see there?" She pointed at the undone clips around the edges. "So he can't be locked in."

"Barricaded," Lieutenant Parker said. "He's got the hatch dogged down from inside."

"There aren't any dogs on the inside," she said.

"In any event," Lieutenant Parker said, "he's got himself inside, and we want him outside."

"Is any paint in there?" she asked.

The lieutenant knocked on the door. "Prophet? Do you have any paint in there?"

"Yes, sir," Prophet said.

"He'd say that anyway," one of the MPs said.

"Still," the woman said, "we can't use a torch."

"What do you suggest?" Parker asked.

"Close off the ventilation," she said. "Plug it up. I can do that easy."

"He'll suffocate."

She shrugged. "I wouldn't. I'd come out."

"Prophet won't, though," Parker said.

"Prophet?"

"It's a nickname."

"I hope so," the woman said. She looked back over her shoulder, as if she could see around the corners and down companionways to wherever she had been working, to see how the job was getting along. "Anything else I can do for you?" she asked.

"No," Parker said. "Thank you."

She stumped off, her heavy boots banging down on their heels.

"We've got to drive him out of there," Parker said to his MPs.

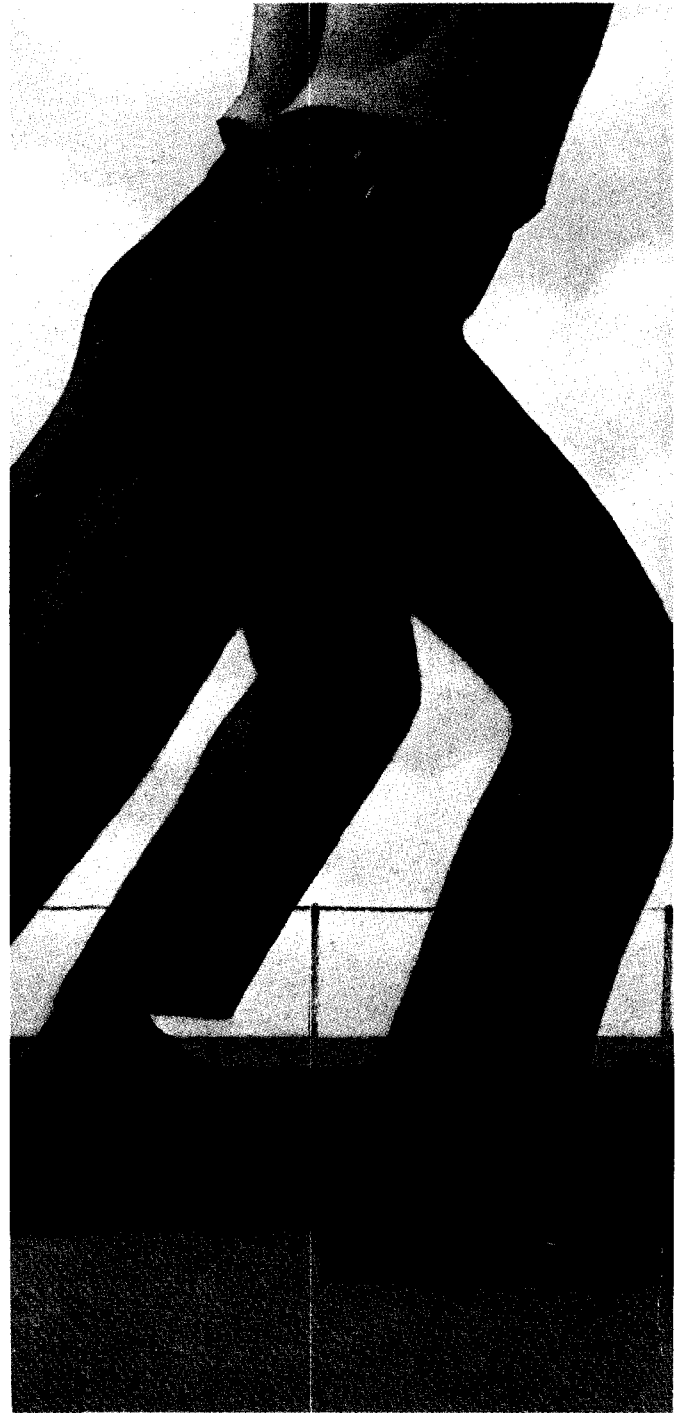
"I say come back in two days and catch him taking a leak," one of them said.

The other nodded; that was the thing to do. "Or food," he said. "He's got to eat."

"Do either of you know Prophet?" the lieutenant asked.

They shook their heads.

"I'm not sure he has to eat. As far as I know, he doesn't



even need to drink. They put him out on the survival course with a partner for a week, and when the man got out of the hospital, he swore Prophet wouldn't lift a finger to look for food or water. He didn't even eat bugs. He just sat there in the sun, with his shirt off, waiting out the time."

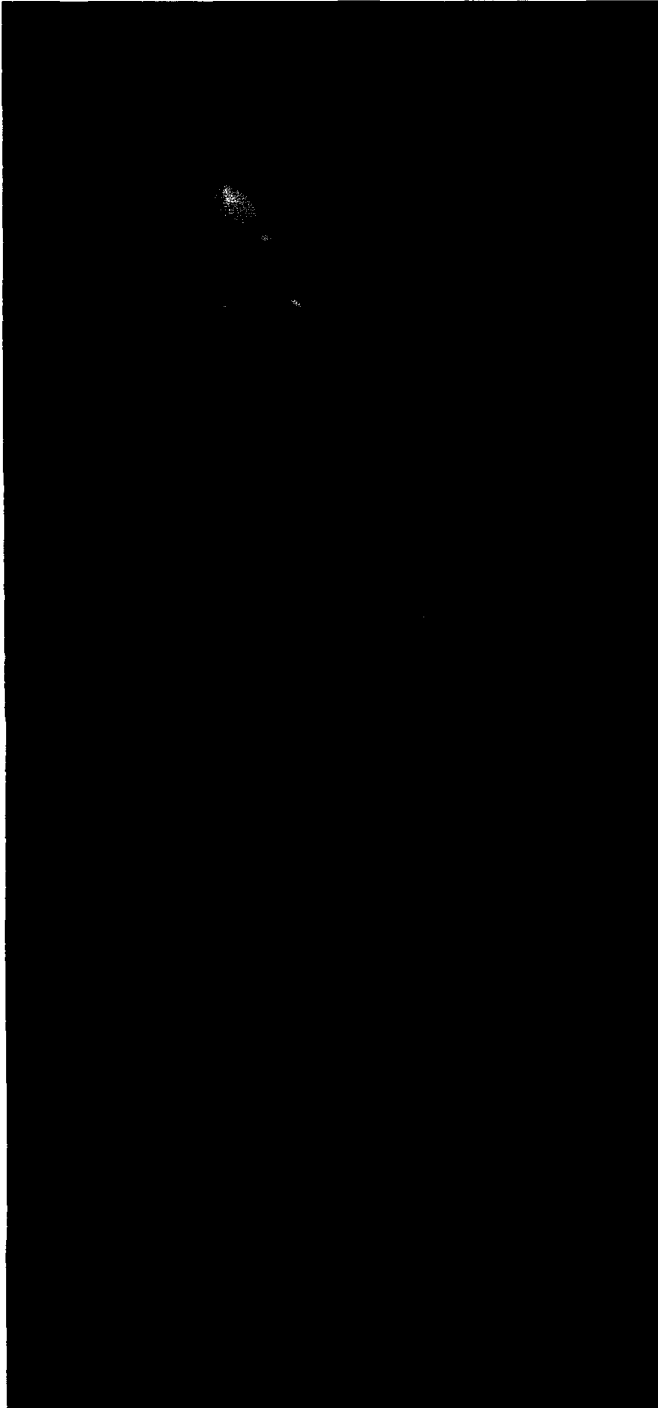
"That's impossible," the first MP said. "Sir."

"I know."

The three of them stood around, thinking of what that would be like.

"Is that why they call him Prophet?" the other asked.

Lieutenant Parker shook his head. "His first name's



Ezekiel." The MPs looked blank. "It's biblical," Parker said. They still didn't understand. "Old Testament," Parker said. "It was the name of an old-time prophet." He looked at each of them in turn. "Never mind."

The three of them stood there a little longer. The MPs, Parker knew, would stand there for twenty hours, if that's what he wanted.

"Take your batons," he said, "and beat on the hatch. Maybe that will drive him out."

The MPs stationed themselves on either side and began banging on the steel with their nightsticks. They fell into a rhythm: bang, bang, bang, bang, bangbangbang, and

Prophet called out, "Doo-dah, doo-dah." Bang, bang, bang, bang, bangbangbang, "Oh, dee-doo-dah-day."

"Keep at it," Parker said. "I'm going to call the base."

He found a phone dockside and called the office. He told the first sergeant to put him through to the Old Man.

"Captain, this is Parker."

"Yes?"

"We've found him, sir. He's holed up in a paint locker on the *Arthur*."

"Good," the captain said.

"Not good," Parker said. "He won't come out."

"What do you mean, he won't come out? *Get* him out."

"Yes, sir," Parker waited.

"Well?" the captain said.

"I don't know if I can, sir. Not without cutting the ship up."

"Then let the Navy do it," the captain said.

"There's no Navy here," Parker said. "Just a refitting crew."

"Then let them do it."

"It's a paint locker," Lieutenant Parker reminded him.

"Has it got ventilation?"

"Yes, sir."

"Then it won't go up."

"Yes, sir," Parker waited again.

"What's your idea, Lieutenant?"

"Well," Parker said, "I'd like to arrange it for him to go over."

"Over where?"

"Over to the fighting, sir. That's what he wants."

"Negative."

"Well, hell, sir, that's what he signed up for."

"Negative. Listen to me, Lieutenant. I want him back here in my office so I can court-martial him." Parker could see the captain tipped back in his chair, scratching at the scar on his knee. "After that," the captain said, "and after he does his time, and if the war's still going on, *then* we can send him over. Tell him that." The captain hung up.

Back aboard the *Arthur*, the MPs were banging out a new tune. He could hear Prophet's high voice over the nightsticks: "On top of old Smo-o-o-key—"

"Can't you play something he doesn't know?" Parker asked.

"Sir?"

"Stop the racket."

In the silence they could hear Prophet rearranging the insides of the locker.

"Is it getting hot in there, Prophet?"

"No, sir."

"It will. We're going to turn your air off."

"Okay, sir," Prophet said.

Parker lit another cigarette.

"Sir?"

"Yes, Prophet?"

"Is the talent contest over?"

"For now."

Prophet didn't say anything.

"I called the captain, Prophet," Parker said. "I told him we should let you go on over there, if that's what you want. We should let those little yellow bastards blow you to bits."

"What'd he say?"

"He said no."

"Did he say why, sir?"

"Yeah, Prophet." Parker held the smoke in for a long breath and then blew it out carefully. "He said he wants to court-martial you."

"Then I'm not coming out."

"I didn't think so. How are you going to breathe if we turn off the air?"

"I don't know, sir."

"You can't breathe without air, can you?"

"I don't think so, sir."

"You mean you think there's a possibility?"

"No, sir. Probably not."

Probably not. He was a strange kid, Parker thought. He'd always been strange. He came to them from boot camp with an endorsement in his jacket that said he could do anything. *Looks like a pussy*, the endorsement read, *but he was first in PT, first at the sticks, first on the course, first on the range. Says he's never held a rifle, but the man was born to shoot. Put some meat on him and you'll have a Marine.* That from his DI. So he ends up in an outfit that isn't going anywhere, and he hates it.

Parker looked at his MPs again. They both wore ribbons over their pockets. "You guys were in country," Parker said.

They both nodded.

"Why don't you try talking to him?"

"It wouldn't do any good, sir," the first one said.

"You could try," Parker said.

The MP shook his head. "I liked it over there," he said.

"So did I," the second one said.

"You're kidding."

"No, sir."

"What's there to like?"

"The drinking," the first one said. "And the gambling. And the women."

"And the killing," the second one said. "The shooting's fun."

"Jesus," Parker said.

"What?" Prophet said.

"I said 'Jesus,'" Parker said.

"Oh."

He turned back to his MPs. "You'd go back?"

"In a minute. Sir."

"Dying doesn't bother you?"

They both shrugged. What was there to say? Parker remembered the way the first MP had barreled into the hatch when Parker had asked him to unlock it. A brain-damaged German shepherd had lived on his block when he was a boy, and the dog would go at things in the same way. Parker had once watched him ram himself into the side

of a pickup truck, again and again, until he was too bloody and dazed to lift himself off the street and run at it again.

"Why don't you two call it a day," Parker said.

"Sir?"

"Go on back to the base."

"The prisoner—"

"I'll watch him."

The MPs exchanged a look. Parker knew the kind. They saluted, turned on their heels as only Marine MPs can, and disembarked.

Parker shook another cigarette out of the pack in his sock. "Prophet?"

"Yes, sir?"

"I've sent the MPs away."

"Why's that, sir?"

"I thought maybe you'd come out and talk, if they were gone."

Prophet seemed to consider it. There was a long silence, and then some shuffling noises from inside. "I'm afraid not, sir," Prophet finally said.

"It isn't a trick, Prophet."

"It's not that, sir," Prophet said. "It's just that, well, I'm in here now. Comfortable. And I think I ought to stay here until I get to the war."

"I have to take you back, Prophet."

"I don't think you can, sir."

That was it, Parker thought. Could he? He didn't see how. He wasn't convinced that he could starve Prophet, or drive him out with thirst. It was foolish to think that, but he thought it anyway. What else worked in sieges? Force—but he'd tried that. Deceit—but Prophet wouldn't take any gifts. He tried to run back through history.

"Prophet?"

"Yes, sir?"

"What was the name of that guy in the Bible who blew the walls down with a trumpet?"

"I don't know, sir," Prophet said.

"You know what I'm talking about, don't you? The siege at Jericho?"

"No, sir."

"You've never heard of it?"

"No, sir."

"I forgot," Parker said. "You don't know about war."

Lieutenant Parker leaned against the rail and dropped his cigarette over, and watched the glow of it fall into the dark, dry space under the ship. He didn't know how to end it. All he knew for certain was that he didn't have a trumpet of any kind, and there was no way, any longer in this world, to bring the besieged out if they didn't want to come.

"Prophet?" the lieutenant called.

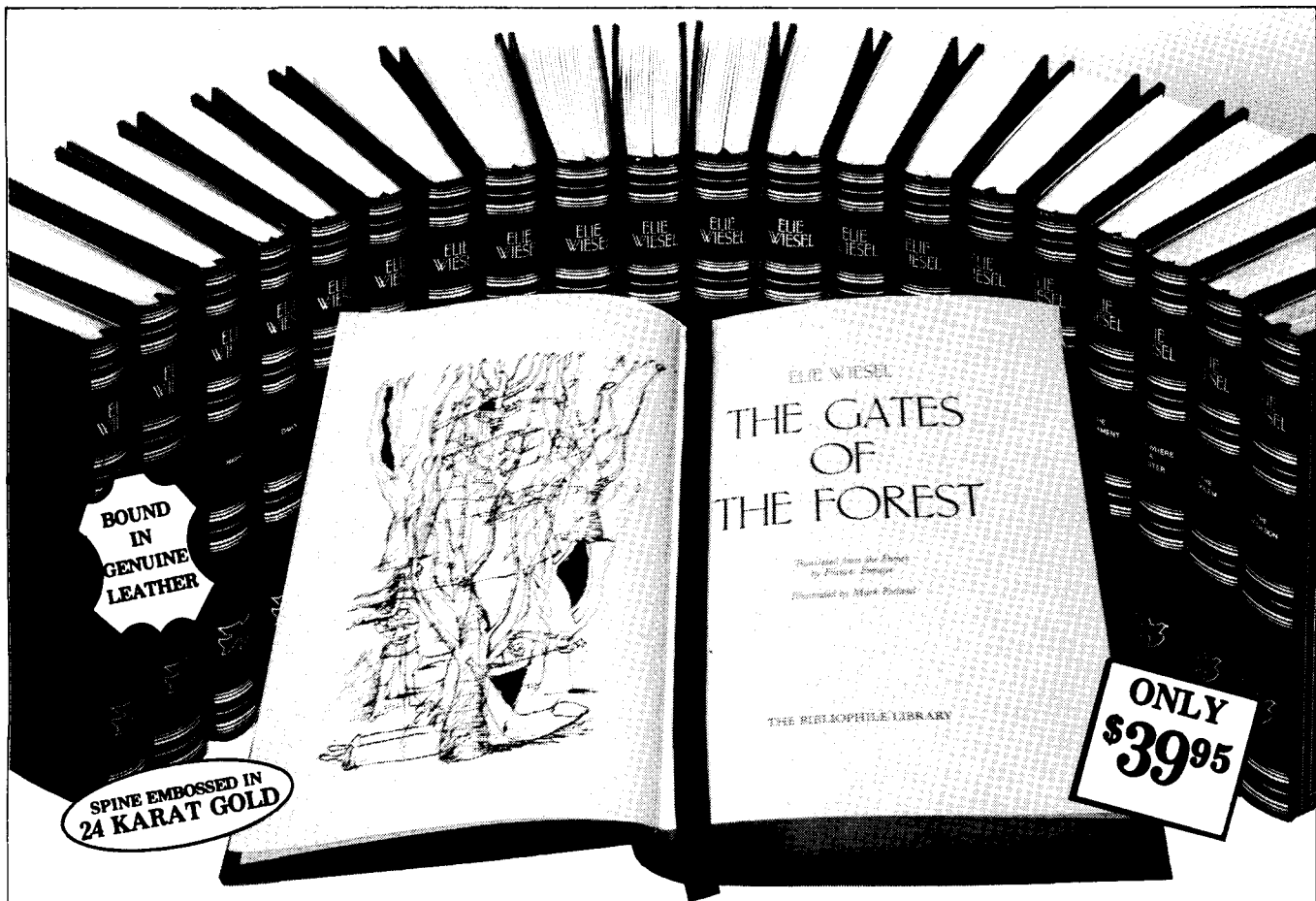
"Yes, sir?"

The lieutenant straightened his cap. "Have a nice time, Prophet."

"Thank you, sir." □

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*Multi-level-marketing companies promise their distributors an address on Easy Street—
if they can interest enough other people in selling, say, bee pollen*

DREAMS AND DOWNLINES

BY DAVID OWEN

WE KNOW STATISTICALLY THAT THE AVERAGE INDIVIDUAL in the United States of America will achieve only one third of what he or she is capable of achieving. One third! Also, of the entire work force of the United States of America, only two percent have the discipline and desire to step forth and do something—are self-starters.

Okay, that's scary enough, but it gets worse: Twenty-three percent of individuals in the United States don't know what they want. Bigger house? More kids? Better reception? They don't have a clue. They might really want a new car but instead they add a breakfast nook to their kitchen. Sixty-seven percent do know what they want but don't know how to get it, which, in a lot of ways, is scarier.

That leaves just 10 percent. These are the individuals who know what they want *and* how to get it. (We know who we're talking about now, don't we?) Thirty percent of these very special individuals get exactly what they want 90 percent of the time. In addition, they are able to help other individuals figure out what they want and how to get it. Why? Because the speed of the leader is the speed of the group. Plus, 20 percent of the individuals in any business organization do 80 percent of the work.

I learned all this at Crossroads to Networking, the Multi-level Marketing Executive Symposium, which was held in Salt Lake City not long ago. Salt Lake City is perhaps not the first place in the United States of America where the average individual would think of holding an executive symposium: it has no bars as we know them. You can buy a temporary membership at a private club for five dollars and then buy cocktails poured from little airline-type bottles, but you can't go into your hotel's restaurant and order a drink before dinner. Instead, generally, you have to order a bottle of non-alcoholic sparkling wine, a beverage that makes you realize fairly quickly that probably 67 percent of the reason why 90 percent of the individuals who drink wine drink wine is alcohol.

But there were some good reasons for holding Crossroads to Networking in Salt Lake City anyway. First, most people are pretty interested in seeing for themselves how much the Great Salt Lake has expanded in recent years. (A lot!) Second, Utah is an important state in multi-level marketing, usually referred to simply as MLM. This is the industry that consists of Amway, Shaklee, Mary Kay Cosmetics, Herbalife International, and other companies whose products are sold not in stores but by networks of

salespeople, whom the companies usually refer to as distributors. Most of these distributors are ordinary individuals who work out of their homes in the United States of America. They not only sell products but also recruit other people to be distributors. They then earn commissions both on their own sales and on those of the distributors they've recruited. They also earn commissions on the sales of distributors recruited by the distributors they've recruited, and on the sales of distributors recruited by them.

The MLM industry is fairly big, according to some other statistics I heard at Crossroads to Networking. Ten percent of American households, one speaker said, include at least one person involved in MLM. Fully 80 percent of all households have been approached by an MLM distributor; 40 percent have bought something. MLM products tend to be things like health food, diet aids, soap, detergent, and cosmetics. Also, increasingly, MLM sells services such as life insurance and travel discounts. Last year Amway distributors signed up a million new customers for MCI, the discount long-distance telephone company.

The MLM industry has taken some hard shots over the years from the crowd that engineered the American defeat in Vietnam, drove Richard Nixon from the White House, and cooked up the Iran-contra affair—that is, the media. The media sometimes have trouble distinguishing between MLM companies and illegal pyramid schemes. They also tend to dwell on stories involving state investigations of MLM companies, or assertions by government agencies that certain MLM products don't do what their distributors claim they do, such as grow hair, cure cancer, or reverse the aging process.

In fairness to the media, it should be said that MLM companies have often made it difficult for the media to emphasize anything but the negative. MLM companies have a very high failure rate. People in the industry estimate that 90 to 95 percent of all MLM companies go out of business within a couple of years of their founding; the true rate may be even higher. In addition, MLM companies tend to do most of their business with some of the more vulnerable segments of the consuming population: senior citizens, people from rural areas, people without much education, and people from California (a state that by itself accounts for something like 20 percent of MLM purchases). MLM companies also have a history of making grandiose claims about the rapidity with which their distributors can expect to become multi-millionaires.

Still, there are some good things that can be said about MLM. I don't want to risk my standing in the media by saying these things myself. Instead, I'll quote D. Jack Smith, Jr., a Harvard-trained lawyer whose Memphis law firm (which is called The Law Firm of D. Jack Smith, Jr.) represents many MLM companies. At a seminar at Crossroads to Networking, Smith said, "I think that one of the great things about this industry is that—and I've said it before—I think it's one of the last frontiers. This industry has something known as ease of entry, where the little guy gets to play. It doesn't take a lot of money to start an MLM company by comparison with what it would take to buy one McDonald's franchise. I have seen companies go national that started with five thousand dollars in borrowed capital."

Smith might also have said (and indeed he may have said on another occasion) that MLM gives ordinary people a chance to test their mettle in the marketplace, to see where they stand in the eyes of the Almighty, and to take a stab at achieving what virtually every person in the United States of America, whether secretly or openly, dreams of achieving: financial freedom.

WHEN I WAS FOURTEEN, I spent a few days at a big hotel in Chicago with my mother, my sister, and my brother. I don't remember the name of the hotel, but I do remember that there was a couch in the lobby where I hid cigarettes. A couple of times a day I would retrieve a pack from under one of the cushions, go into the coffee shop, and smoke about eight Marlboros in a row while I drank a Coke. When I finished the Coke, I'd swish a piece of ice around in my mouth so that my mother wouldn't know I'd been smoking.

During one of my cigarette breaks a man sitting on the stool next to mine struck up a conversation. He said I looked like an intelligent fellow and asked me if I'd like to achieve financial freedom. I said, uh, sure. In that case, he said, I ought to come with him later to a meeting in the ballroom. I went. It was a recruitment meeting for an MLM company called Holiday Magic. The man was a distributor for the company, which sold cosmetics and other products. He said he could tell just by talking to me that I'd make a good distributor too. I confessed that despite the cigarettes and everything, I wasn't as old as he probably assumed. He said that didn't matter; my mother could drive me around to deliver my products.

I don't remember much of what went on at the meeting, but I can reconstruct it. All MLM recruitment meetings are basically alike. Undoubtedly there was a rousing

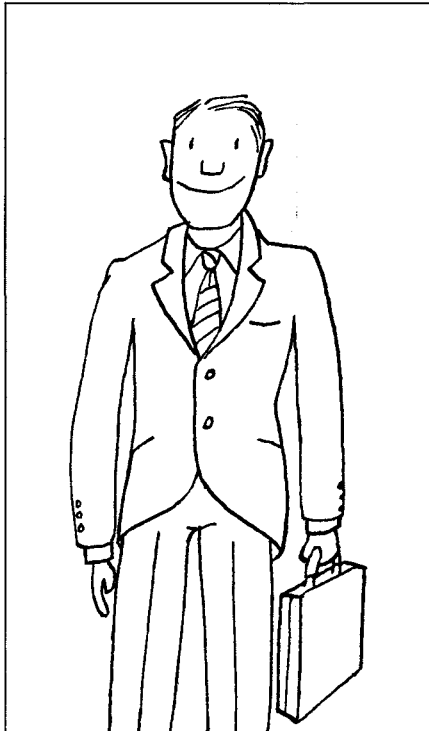
speech by a man wearing powerful aftershave and perhaps two pounds of gold jewelry. The speech would have concerned how God or the man's wife had finally given him the courage to abandon his dead-end job as an executive of a Fortune 500 corporation and achieve financial freedom by becoming a Holiday Magic distributor. Now he had everything he'd ever desired: company car, beautiful wife, plenty of French food, vacations whenever he wanted them. Nothing would make him happier than for us—me—to have those things too. It wouldn't be easy: I'd have to reach down deep within myself, conquer my fear

of big success, and awaken my slumbering potential for greatness. But it wouldn't be hard, either: all I'd have to do was sign up a lot of other people to do what I was doing. Every month I would earn commissions based on how hard those other people worked. Then I could start shopping around for a bank with a vault big enough to handle my deposits.

I became quite excited at that meeting but (for various hormonal reasons) never followed through on Holiday Magic, thus passing up my chance to become the richest kid in the history of eighth grade. It's probably just as well. In 1973 the Securities and Exchange Commission filed a civil complaint accusing Holiday Magic of defrauding its distributors and others of \$250 million. The following year a federal judge permanently enjoined the company from operating its pyramid-marketing scheme.

As I strolled among the exhibits at Crossroads to Networking, something of that old Holiday Magic magic came back to me. The room was filled with financial opportunities. At a wooden kiosk with television monitors mounted in it I watched a videotaped presentation for a company called Nanci Corporation International. (The kiosk was promoting not Nanci but the company that had made the video, Mountainland Video Productions. One of Mountainland's producers is named Kelly Thayer; his wife is named Kellie Thayer.) It was a little hard to hear the Nanci soundtrack over the noise in the room, but the story was easy to follow. It involved a young boy who was always losing races and a mom who was terribly disappointed in him. Scenes of the boy losing races alternated with scenes of the mom hanging her head in shame. There were also scenes of the mom feeding the boy junk food. This went on for quite a while. The mom never seemed to see the connection between the junk food and the lost races.

Then, through a friend, the mom discovered Luv-it, a specially formulated powdered food-replacement beverage mix that looks something like Carnation Instant Breakfast. Luv-it comes in different formulations for chil-



dren, grownups, and old people. It can be used in combination with either Lose-it or Gain-it, depending on whether you're too tubby or too thin.

The Nanci video also contained quite a lot of footage of Nanci herself, a really attractive woman who exercises in a leotard and has a big house, a nice family, an assistant of some kind, and a snappy red Mercedes-Benz. Nanci introduced Luv-it because she wanted to give people a simple, delicious way to drink wholesome meals. Now she enjoys fabulous wealth. And the little boy? He switched from french fries to Luv-it and became a winner. His mom became a winner too; now she's a Nanci distributor.

Not far from the Mountainland Video kiosk was the booth of a company called Garden State Nutritionals. Garden State makes vitamin tablets and other health products. It sells them to a number of private-label distributors, including several MLM companies. Most of Garden State's exhibit had been lost in transit from New Jersey, but there were still a lot of products on display: Charcoal Caps, Chocolate Thunder ("Instant Energy Fitness Formula for Active People"), Formula AR-19, Back-Eze ("Special supplement containing Nutritional Elements found in healthy spines and discs"), Memoraid Tablets, Thermo Slim, Grapefruit Diet 100, Night Trim ("Extra strength overnight reducer"—take four on an empty stomach before bed), Snooze 'N Lose. Overnight reducers are supposed to activate your growth-hormone releasers, so that you lose weight while you sleep.

Would activating your growth-hormone releasers also make you get old sooner? I don't know; I'm not a doctor. To be safe, you might also want to take some CoQ10, sometimes known as the youth pill. CoQ10 was on display at the AlphaPak booth. It's an essential dietary coenzyme nutrient that scavenges free radicals, promotes cellular energy conversion, deters oxidation, and offsets CoQ10 deficiency caused by aging, according to a sign on the table. Oxidation, another exhibitor had already told me, is the cause of most disease. CoQ10 is made from fermented potatoes; it can also be extracted from the hearts of cows, but (fortunately) this is too expensive to do.

I wandered around for a while trying to produce enough saliva in my mouth to get rid of the taste of a milk substitute called Tofu White (warm water with baby powder in it?) that I had been persuaded to drink at the Great American Foods booth. At another booth I drank some aloe-and-cranberry juice, which didn't so much solve the tofu problem as complicate it. I ended up sucking on the insides of my cheeks in front of the booth of a company called Health Flo. BECOME A BEE-LIEVER, said a sign on the booth; ADD HEALTH FLO PURE BEE POLLEN PRODUCTS TO YOUR COMPANY, said another. Earlier I had spoken with a woman from a company that sold Swedish flower pollen. I asked a man at the Health Flo booth whether Swedish flower pollen was the same thing as bee pollen. He said it was not.

"The basic difference," he said, "is that bee pollen is collected by bees, while the other people collect their pol-

len with a machine. We've tested it, and bees are more discriminating. Plus, the bees have been doing it for millions of years. The other thing that sets us apart from being just another bee-pollen company is that we've developed a process for putting together a pure-bee-pollen tablet without fillers or binders. We've also been able to liquefy and stabilize—the key word being *stabilize*—pure bee pollen. As far as we know, we're the only company in the free world that's been able to do that."

While he was talking, a woman working with him took a bee-pollen tablet from one of the bottles on the table and chewed it up. (Her commitment to bee-oriented health may not be all it appeared to be, though; later I saw her drinking a Pepsi.) When the man was finished, the woman gave me a packet of bee-pollen pills, a packet of propolis pills, and some literature. The literature described bee pollen as "the only food in the world with all the essential ingredients necessary to sustain life." It referred to propolis as an "antibiotic" whose apparently recent rediscovery "may well be one day as important as the development of penicillin." (Propolis is stuff that bees make to "keep their hive in more sterile, hygienic [sic] condition than even a modern day operating room.")

Ordinarily I have a pretty high resistance to doing anything that is supposed to be good for me, even if it doesn't sound nutty. But a week later, when I was back at home, I got sort of interested in my packets of pollen and propolis pills. One of Health Flo's brochures quoted a Dr. Sigmund Schmidt, a cancer specialist from "Germany," as saying that bee pollen "could be a cancer-preventative." Other experts were quoted as saying that pollen can reverse aging of the skin and relieve allergies, fatigue, colds, weakness, asthma, bronchitis, ulcers, colitis, migraine headaches, urinary disorders, enuresis, multiple sclerosis, and wrinkling. What the heck! I took one bee-pollen pill and one propolis pill.

A couple of hours later, while I was out working in my yard—and I'm not saying that this discredits the entire industry—I was stung by a bee.

AS INTERESTING AS THEY ARE, MLM PRODUCTS DON'T tell the whole MLM story. In fact, they don't tell much of the story at all. At many companies the products are an afterthought. The real meat of an MLM company—the thing that gets distributors excited—is usually the compensation plan.

There are many different names for MLM compensation plans: stairstep, breakaway, matrix, several others. All such plans differ one from another, but all are alike in that they derive from that most magical of mathematical phenomena, exponential growth. The Sunrider Corporation—a big Utah-based MLM company that, under the supervision of Dr. Tei Fu Chen, sells health products mentioned in age-old manuscripts formerly owned by Chinese emperors—calls it "multiplication marketing" and, in one of its pamphlets, explains it this way:

Would it surprise you to know that a penny deposited in an account that doubled every day, would grow to \$1.28 in one week? By the end of the second week your original deposit would have grown to \$163.84, and by the third week \$20,971.52. Before you could say pick-up truck, at the end of one month you would need one to haul your money home. One penny would have grown to \$5,368,709.12 in just thirty days.

A mathematician would probably be less surprised by the size of those numbers than by the idea of a bank account that paid interest at an annual rate of 3,757,668,132, 438,133,164,623,168,954,862,939, 939,243,801,092,078,253,311,793, 131,665,554,451,534,440,183,373, 509,541,918,397,415,629,924,851, 095,961,500 percent.* But most people aren't mathematicians. The thought of watching a penny turn into more than five million bucks in thirty days is appealing in a way that pre-empts any application of logic. Having thus caught the reader's attention, Sunrider—like virtually all MLM companies—draws a conclusion that can't be drawn:

Here is how it works. You share the Sunrider program and products with others, who in turn share the opportunity with more people. Before you know what is happening, you have hundreds of people marketing Sunrider products with all of their efforts contributing to your earnings and financial freedom.

At Sunrider we call it sponsoring, and it is the principle of multiplication marketing upon which all wealth is built. Now instead of working for only eight hours a day, you are able to have a complete sales staff working hundreds of hours daily for your benefit and profit.

Multiplication marketing and Sunrider have proven that they work. All you need to do is substitute people for pennies and you will be well on your way to financial freedom and independence.

If you substituted people for pennies in the Sunrider example, you would surpass the population of the earth in less than five weeks. This is not a business for the faint-hearted.

As it happens, I am a Sunrider distributor. I became one by filling out a form and paying \$24 for a sales kit. My sponsor is Robert Natiuk, who calls himself "the next Na-

poleon Hill" (Hill wrote *Think and Grow Rich*). Natiuk is the co-author of *They Dared to Be Free*, a collection of MLM success stories, and a frequent contributor to *MLM News*, a monthly journal of the industry and the sponsor of Crossroads to Networking. Natiuk writes articles for *MLM News* in exchange for advertising space. In one of his ads last year he talked about his wife, Martha. "She looks a lot like Linda Evans of 'Dynasty' and loves our new luxury car, beach home, cruises—all made possible through SUNRIDER." The ad included a photograph of Natiuk (who does not look like John Forsythe) sitting in a tree, to drive home the

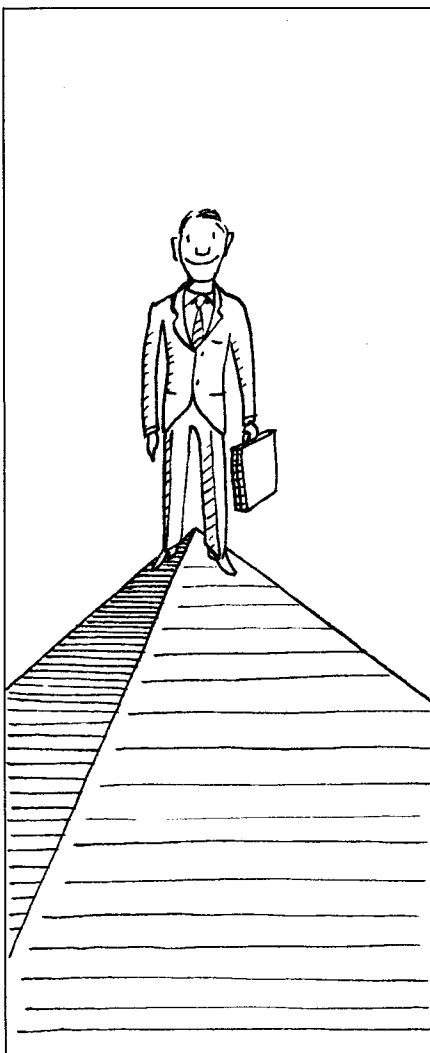
point that many people feel "up a tree" with other MLM companies.

I've never felt up a tree with MLM, because I've never tried to sponsor any distributors. But if I did, here's what I'd probably do. First, I'd buy \$100 worth of Sunrider products from Natiuk. My initial purchase might include Dandelion Root Concentrate, Loquat Syrup, Conco, Korean White Ginseng Concentrate, Siberian Ginseng Root Bark Concentrate, Metabalance 44, and several other products. Making this purchase would enhance my body's powers of regeneration and move me up a rank in the Sunrider organization, from distributor to trainer. I would now be entitled to a five-percent commission on any further purchases made directly by or through me.

Having done this, I'd call up my parents and ask them if they'd like to become Sunrider distributors too. Then I'd call my wife's parents, my siblings, my wife's siblings, my barber, the plumber, the guy at the hardware store, everybody in my address book, and the entire staff of *The Atlantic*. If enough of the people in my town seemed interested, I'd rent the gym at the high school and, with Natiuk's guidance, hold a big introductory meeting. If I found myself sitting next

to a fourteen-year-old would-be juvenile delinquent smoking cigarettes in the coffee shop of a hotel in Chicago, I'd recruit him. I also might send around copies of a Sunrider videotape (each of which would cost me \$12) that explained everything about the program.

Let's say I did this for a while and managed to sign up one distributor (my mom). My mom would now constitute my "downline" in the Sunrider organization; Natiuk and everybody else on the direct path between me and the five



*In a leap year the interest rate would be 7,515,336,264,876,266,329,246,337,909,725,878,487,602,184,156,506,623,586,263,331,108,903,068,880, 366,747,019,083,836,794,831,259,849,702,191,923,100 percent. In any year you'd need more than a pickup truck to take your money home; even if you withdrew it in \$100 bills, the largest denomination still printed, the account would weigh more than the known universe.

founders of Sunrider would be my "upline." Of course, my mom would want to start building her own downline (which would also become part of my downline, since I sponsored her). So she would become a trainer by buying \$100 worth of Sunrider products from me. I'd get a five-percent commission on these purchases, for a total of five dollars.

This would be just the beginning. Full of enthusiasm, my mom and I would start signing up other people like crazy. Since my mom would be a trainer now, she wouldn't buy her products from me anymore; she'd buy them directly from Sunrider. But that doesn't mean I'd stop getting rich. As soon as the total purchases of my rapidly growing sales organization exceeded \$1,000, including \$250 in the qualifying month, I'd move up a rank, to supervisor, and my commission on my purchases from Sunrider would rise to eight percent. In addition, I would begin earning a special commission, called an override, on the purchases of all the people in my downline. A supervisor's override on downline trainer purchases is three percent.

At this point it begins to get a little confusing and, in truth, I don't understand how it works. But by increasing my organization's purchase totals from month to month I would begin to rise through the Sunrider ranks, from supervisor to manager to assistant director to director. A director is someone whose sales organization (his downline plus himself) has bought \$8,000 worth of products (including \$2,000 worth in the qualifying month). A director, according to a pamphlet in my sales kit, receives a 20 percent commission on direct purchases made by himself, a five percent override on purchases made by downline assistant directors and their downlines, a nine percent override on purchases made by downline managers and their down-

lines, a 12 percent override on purchases made by downline supervisors and their downlines, and a 15 percent override on purchases made by downline trainers and their downlines.

Wait, there's more. There are five degrees of directorship: director, lead director, group director, master director, and executive director. As an executive director, I would earn director-leadership bonuses of seven, six, five, four, three, two, and one percent on the sales of various levels of directors below me. I would also receive a diamond pin, membership on the Executive Advisory Board, a one-week vacation for two anywhere in the world, and money from four separate profit-sharing plans. At some point along the way I'd also have earned a free car or motor home.

I forgot about retail sales. In addition to all those commissions, I'd be earning a retail markup of between 25 and 35 percent on sales outside my downline, assuming I made any. I wouldn't have to share that money with anybody at all.

Retail sales are something of a sore point in the MLM industry. Actually selling products to people outside one's sales organization is seldom given as much emphasis as signing up new distributors. At companies with minimum monthly purchase requirements (\$100 worth at Sunrider) distributors sometimes simply buy what they have to in order to keep their commission checks coming. (At Sunrider, directors whose purchases fall below the minimum level in any month also lose their downlines to the directors in their uplines and thus their whole commission.) Building a downline can be more profitable than actually hawking the product on the street. Many MLMers view retail selling as little more than a way to prospect for new distributors. The most sparsely attended seminar at Crossroads to Networking was the one on retail sales.

The stress on recruitment rather than selling is one aspect of MLM that perennially attracts the attention of government agencies. Companies that don't sell much to outsiders sometimes look like pyramid schemes. A pyramid scheme is like a lottery. It's a form of multiplication marketing in which participants contribute relatively small amounts of money to a pool in the hope of withdrawing relatively gargantuan amounts of money later, as more and more contributors are recruited. Most pyramid schemes are illegal. (The world's largest pyramid scheme, the Social Security system, is not.)

Recently a non-MLM pyramid scheme known as "airplane" has turned up in states all across the country. In one version of the scam, people are invited to pay \$1,500 in order to become one of eight passengers on an imaginary airplane with a crew of one pilot, two co-pilots, and four flight attendants. Once all eight passenger seats are filled, the pilot "bails out" with the money paid by the passengers—\$12,000. Then the co-pilots become the pilots of two new airplanes, the flight attendants become copilots, and the passengers become flight attendants. Eight new paying passengers are recruited for each of the two new air-

ELECTRONICALLY YOURS

Baud: the rate of speed at which information is sent between two computer devices, for example, modems.

From 1200 plus, our baud declined. At under 300, a blank. EXIT. Or so I thought. But bits of you <alluring syllables, the burnt-in codes of half-earned caresses "lost" when power died> were saved, it seems, to memory's soft disk. I found a file called **HIDDEN FILES.** Delete <Y|N>?

—Gerald Jonas

planes (providing new infusions of \$12,000), and the game goes on.

If the world's supply of suckers were expanding exponentially, we could all get rich this way. As things are, the only way to make money in one of these schemes is to sign up early, before the size of the money pool necessary to sustain it takes off for the stars.

Signing on early with a new MLM can pay off too. Most new MLM companies go out of business very quickly. Distributors who build big downlines right away in such start-ups can often collect a few big commission checks before the company closes its doors and files for protection from its creditors. Wheeler-dealers—they are known in the trade as “MLM junkies”—often jump from one new company to another, trailing their downlines behind them. Needless to say, distributors further down the money chain don't do as well; they can be left with a garage full of products they can't sell, or with a stack of worthless “product-redemption certificates,” or with nothing at all.

Executives of most MLM companies hate it when their industry is discussed in the same breath as pyramid schemes, but in their company literature they often play up the pyramid angle themselves, as Sunrider does. Some MLM companies even illustrate their compensation plans with pyramid-shaped diagrams. One such company is Easyway Marketing, which is based in Schaumburg, Illinois. Easyway's compensation plan is called a three-by-nine matrix. The company sells grocery coupons, jewelry, and discounts on travel, prescription drugs, cars, and a variety of merchandise. The introductory brochure that it gives to prospective distributors is called “Your Guide to the Easy Life”; on the cover is a photograph of a silver-blue Mercedes.

None of this, of course, is meant to suggest that the Sunrider Corporation, Easyway Marketing, or any other MLM company is necessarily breaking a law or defrauding its distributors. But the compensation plans adopted by virtually all MLM companies are purposely designed to have a powerful appeal to the same combination of greed and gullibility that leads people to book \$1,500 seats on imaginary airplanes.

IF YOU CALLED UP EVERYBODY IN YOUR DOWNLINE AND asked, “Who's out to get MLM?” 90 percent would probably answer, “The media.” People in MLM are very suspicious of the press. It was this suspicion that led a good number of them to “Analyzing the Media and MLM,” Clifton Jolley's seminar at Crossroads to Networking. Jolley got right to the point.

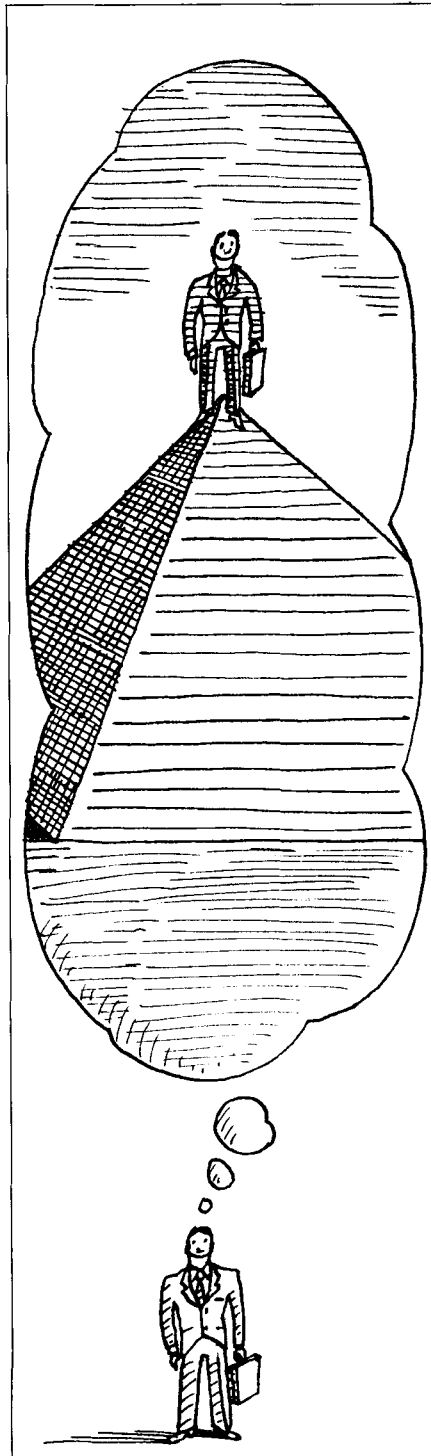
“How many of you are in MLM to make money?” he asked. Just about everybody in the room raised a hand, nodded, or grunted affirmatively. Then Jolley asked another question: “How many reporters do you suppose go into journalism to make money?” This produced a lot of chuckling. Reporters, as everyone knows, do what they do in order to emphasize the negative and make life miserable for other people.

“A good legal secretary makes more than a beginning journalist at *The New York Times*,” Jolley went on. “The basic motivation of people who are affiliated with the press is very different from the motivation of the large majority of people in this room.”

Jolley is highly qualified to speak on this topic. He's a former professor of communications at Brigham Young University in Hawaii who is now the president of Avenues Communications, a consulting firm whose clients are mostly MLM companies. He writes a newspaper column, in Salt Lake City's *Deseret News*, and he had a television show of some kind, but these low-paying activities are merely outlets for any remaining negativism that wealth beyond his wildest dreams has failed to purge from his system.

For the most part, I thought, Jolley's seminar was pretty good. He gave some sound advice about how to deal with reporters (don't lie to them, don't ask them when their stories will appear, don't wear a diamond-studded wristwatch and sit on the hood of your Rolls-Royce when *Forbes* comes over to take your picture). But his comment about the salaries of reporters and legal secretaries gave me pause.

I don't know what legal secretaries or *New York Times* reporters make, but I have some idea of what people in MLM make. According to Jeffrey Babener, a bright young MLM attorney who, with D. Jack Smith, gave a seminar on legal issues, the industry consists of somewhere between 5 million



and 10 million distributors who sell between \$10 billion and \$20 billion worth of products and services every year. Let's say there are 10 million people doing \$20 billion worth of business. That works out to \$2,000 in gross sales per person per year. Subtract product cost, phone bills, car expenses, gymnasium rentals, and purchases made for personal use, and there isn't very much left. The average MLM distributor, I would guess, can't be clearing more than fifty dollars a month. I like making up facts and ruining people's reputations as much as the next reporter, but if journalism didn't pay better than that, I'd do something else. And I'll bet there aren't more than a few dozen reporters at *The New York Times* who make less than fifty dollars a month.

Does anybody in MLM make big money? Clearly, some people do. There were some prosperous-looking consultants at Crossroads to Networking, and there are MLM executives who live in \$7 million houses and fly around in private jets. Many companies publish glossy in-house magazines filled with pictures of happy distributors sitting on the hoods of their new luxury cars or yukking it up on company jaunts to island paradises. But the number of people who gross even a thousand dollars a month in MLM is very, very small. The great majority of MLMers could make a lot more money in a lot less time working behind the counter at McDonald's.

Of course, nobody ever achieved financial freedom by working behind the counter at McDonald's. MLM is alluring because it seems to offer not a job but a means of transcending the laws of economics. But the appeal is an illusion. Those tantalizing compensation schedules actually work against the average distributor, whose sales efforts serve mostly to line the pockets of other people.

People may sign up with MLM companies because they dream of getting rich, but most of the ones who stay do so for other reasons. One is that it makes them feel important. Receiving a commission check in the mail can be a transforming experience for someone who feels locked out of the mainstream economy, even if the check is only a rebate on a purchase he made himself. A man with a downline is a man who knows he isn't standing on the bottom rung. The standard MLM message is simple: If you're strong enough inside, if you're one of the few who are tough enough to stick it out, you'll be rich. When it doesn't work out that way, unsuccessful distributors often blame not the companies but their own characters.

There's also a heavy evangelical element in MLM. Successful MLM companies maintain their downlines by turning their distributors into crusaders. "People will work for money but they'll kill for a cause," someone said at Crossroads to Networking. One participant told me that MLM is "sixty percent Christian"; he was referring to the Christianity of Jerry Falwell and Robert Schuller. Also of Brigham Young. Mormons are a big presence in MLM. The scarcity of alcohol at our hotel was not viewed as an inconvenience by most of the people in attendance. The symposium participant who attracted some of the most ad-

miring attention from other participants was a man from Issaquah, Washington, who was starting an MLM company that would sell books, videos, gifts, and other items, all with Christian themes.

MLM HAS BEEN AROUND SINCE AT LEAST 1945, WHEN a company called Nutrilite adopted a multi-level commission schedule for sales of its nutritional supplements. Amway and Shaklee have been in business since the late 1950s. But a lot of people at Crossroads to Networking told me that they thought MLM was still in its infancy as an industry. In the next few years, I was told, MLM is going to have a huge impact on the economy. Jeff Babener, the young attorney, told me that he thinks MLM distributor networks have enormous potential. "More and more companies that are outside MLM are looking at this as a new forum, a new channel for marketing their products," he said in the legal seminar. MCI's success with Amway, he said, proves that MLM has economic muscle. He may be right.

I don't think he is, though. I had a very good time at Crossroads to Networking, and I met a lot of nice people, but the numbers don't add up. An MLM network is actually an inefficient mechanism for moving products through the economy. Starting an MLM company is cheap only because most of the overhead (warehousing, transportation, promotion) is absorbed by naive distributors. Most MLM distributors don't even think of their own time as a cost of doing business; if they ever added up their expenses and computed their earnings as hourly wages, they'd be appalled. Also, because of the heavy commission schedules, introducing a truly new product through MLM is next to impossible. The industry depends instead on products that cost very little to develop and manufacture (vitamins, cosmetics, food supplements) or on services that have little actual value (discount-travel clubs).

In the end, the words that stuck with me were those of Edwin L. Madison, a symposium participant and the president of a Texas-based company that sells scholarship information and provides other services for college applicants. Madison is a great big man who sounds a bit like Lyndon Johnson. He had come to Crossroads to Networking because his sales force had been urging him to take the company MLM. Before one of the seminars he turned around in his seat to talk to me.

"Statistics show that the average salesman works about fifty-eight hours a week but spends less than seven hours of that actually selling," he said. "My guys' theory is that multi-level will give them an easy way to prospect."

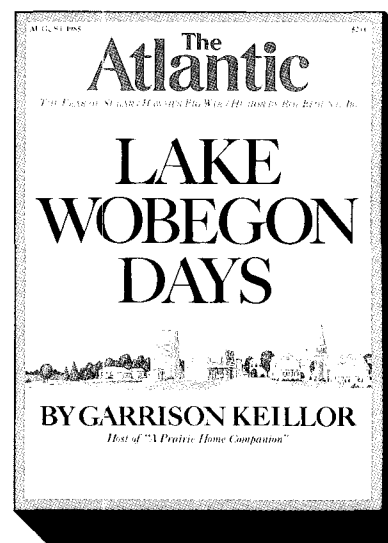
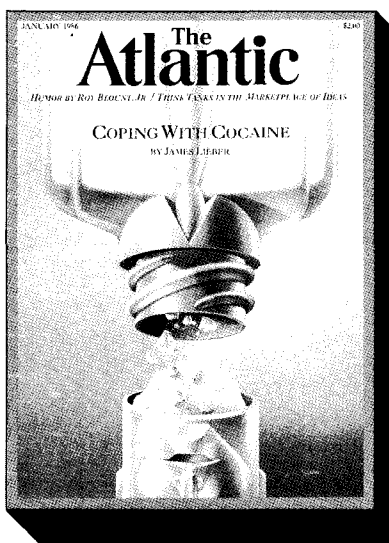
Before coming to Crossroads to Networking, Madison had been fairly certain that his company would move into MLM in the near future. Now Madison felt differently. "The thing that discourages me about MLM," he said, "is that we haven't been able to find anybody at this symposium who's been in business for as long as three years." □

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BY GUY BILLOUT



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HOME

THE AUTOMATED HOUSE

New systems can centrally control and program your domestic life

BY PHILIP LANGDON

IN JUNE OF LAST year a tiny California company called Mastervoice began manufacturing the Butler-in-a-Box, a \$1,495 electronic system intended to make your house or apartment do whatever you say. If you had installed the Butler-in-a-Box in your living room, you could now indulge in the lazy pleasure of lying on the couch and issuing orders into the air—turn on a porch light, turn up the heat, activate the burglar alarm, turn off a noisy stereo system in an upstairs bedroom, and so forth. The Butler would hear your commands, reply in a human-sounding voice, and carry out the instructions.

"Godfrey!" you might call out, and the Butler would reply, "Hello," or give some other greeting from its stock of salutations. "Porch light," you would say. The Butler, which is a rectangular black object about the size of a box of cereal, would display on its surface, in fluorescent blue letters half an inch high: PORCH LIGHT. "On," you would say, and the blue lettering would announce ON, while the voice responded "Okay" or some other acquiescent word or phrase. Simultaneously, the light would come on.

The Butler delivers its spoken messages in whatever style you want—straightforward, politely deferential (it can say "yes, sir" and "no, ma'am"), or mock-obsequious. ("Yes, master" is one of its most popular servant-like phrases, as well as the origin of the company's name.) It can even speak with an accent, according to a company spokesman. In effect, you can decide whether you want the Butler to sound like a neutral tool for handling domestic tasks or to double as home entertainment.

When you first bring the Butler home, you have to spend several hours talking to it—training it to recognize your voice, understand your commands, and reply as you prefer. You need patience. If not trained properly, the Butler may get confused and fail to follow orders. You can call the Butler by whatever name you

want. Most commonly chosen is Hal, the name of the malevolent computer in 2001: A Space Odyssey. Second most often chosen is the name of the person's boss.

As you might imagine, the marketing by Mastervoice (10523 Humbolt St., Los Alamitos, Calif. 90720, 213-594-6581) trades heavily on novelty value. Yet the Butler-in-a-Box is more than an expensive toy. It is part of a fast-emerging industry—home automation—that in general is highly serious about giving people greater control over the workings of their houses, through mechanisms more convenient than the usual scattered single-purpose switches.

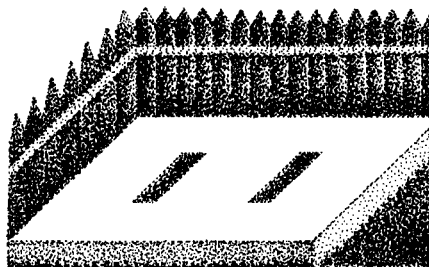
In houses costing \$250,000 or more—the segment of the housing market in which home-automation systems are currently concentrated—the futuristic

fantasies once associated with world's fairs and *The Jetsons* are beginning to come true. The number of companies offering home-automation systems has been growing rapidly for the past five years. Since January of last year this form of domestic technology has even had its own magazine, *Electronic House* (524 E. McKinley Ave., Mishawaka, Ind. 46545), which celebrates the accomplishments of home-electronics pioneers and publishes an extensive annual guide to products on the market.

The systems listed by *Electronic House*, although for the most part not widely known, are being sold and installed in houses throughout the United States. Perhaps several thousand houses are now equipped with sophisticated electronic systems that allow virtually every electric or electronic device in them to be programmed, and that enable the inhabitants to direct their houses by remote control—by speaking, by pushing buttons on a command module, by using a touch-tone phone, by touching a video-display panel, or by a combination of these means.

These systems—which have names like HomeBrain, Home Manager, and HomeRun—are typically being installed in newly constructed houses rather than existing dwellings. The majority of the manufacturers are small companies, which find it easier to aim their low-budget marketing efforts at a few thousand homebuilders than at a public not yet accustomed to thinking about remote-controllable homes. This may well change as word about the new possibilities gets out.

ONE OF THE KEY elements in most of the new systems is an apparatus already relatively commonplace in American houses—what's called a powerline carrier module, produced by X-10 (USA). Since 1978, X-10 has manufactured millions of these controllers, enabling people to turn electrical devices on and off by using a timer or by remote control. The controllers are sold under a variety of brand names by mail-order companies and retailers including Radio Shack and Sears. A basic X-10 remote controller, which is small enough to fit on a bedroom nightstand, comes with eight on-off switches that can be used to control lights and appliances throughout the house. The homeowner plugs the controller into any nearby electrical outlet. From then on, whenever the homeowner presses one of the controller's



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switches, digitally encoded signals will be sent through the house's wiring to a corresponding module, about the size of a cigarette pack, that has been plugged into the electrical outlet the homeowner wants to command. To achieve the same kind of control over a built-in light, the homeowner replaces the existing wall switch with an unobtrusive push-button X-10 wall switch.

Control mechanisms of this sort cost little. The controller costs about \$13, and the modules for lamps, appliances, and wall switches sell for \$10 to \$15 each. For about \$50 a homeowner can buy a telephone responder, which controls eight devices through phone calls. The most elaborate X-10 apparatus is a computer interface, for about \$70, which controls up to 256 modules and allows for programming of up to 128 timed events.

Manufacturers of home-automation systems have taken devices such as those made by X-10 and integrated them into a single network while at the same time enabling them to handle much more complex instructions for cooking, lighting, security, communications, and other household functions. The resulting systems, sophisticated and expensive, can gather information from a variety of sensors, make decisions based on that information, and provide remote control and in some instances voice control.

One of the first of the advanced control systems on the market was the HomeBrain, introduced in 1982 by Hypertek (P.O. Box 137, Whitehouse, N.J. 08888, 201-534-9700). The HomeBrain can collect information from motion detectors, smoke detectors, thermometers, light sensors, buttons, switches, magnetic door and window contacts, and other devices distributed throughout the house and its grounds. Sensors can gauge the amount of moisture in the lawn and automatically turn on sprinklers during dry weather and keep them off during rainy days. If the system detects smoke or fire in the house, it can initiate a series of responses, such as sounding an alarm, shutting down the ventilation system, and calling the fire department. It can monitor temperatures indoors and out and turn on heating or air-conditioning according to whatever timing or conditions the owner specifies.

The HomeBrain can turn on lights in each room whenever someone enters and shut them off after the person

leaves. When homeowners go away for more than several hours, they can put the house on "vacation mode," which adjusts the heating or cooling and turns various lights on and off on a random schedule to deter burglars. For most HomeBrain systems the cost amounts to about \$5,000 (this includes installation as do the prices for the other systems named that require it); a few rich and gadget-happy families have spent more than \$100,000 to rig entire mansions to respond to every conceivable circumstance.

Energy conservation and security are two of the biggest reasons for the proliferation of home-automation systems. Home Manager, produced since 1985 by Unity Systems (2606 Spring St., Redwood City, Calif. 94063, 415-369-3233) controls motorized dampers that divide a house into as many as twenty zones for more precise and economical heating and cooling. Home Manager, which usually costs \$6,000 to \$9,000, also gives the homeowner a remarkable degree of control over security systems. The homeowner can set up a series of security zones within the house, activating or deactivating any of them as conditions change. "It allows you to have pass codes," says Diane Ewald, Unity's marketing manager. "If you have a maid, you can authorize her to use a code to enter and leave the house from three to five P.M. Thursday and you can tell the system not to allow her into the master-bedroom suite. If she tried to use the code at midnight, it would deny entrance to her and it would log the fact that she had tried to enter at that time."

THERE'S A LOT OF disagreement about the best way to monitor and give instructions to a home-automation system. Some systems incorporate a video display that shows the floor plan of the house and indicates the status of every device under the system's control. However, people who aren't accustomed to the instructions accompanying a video screen may be put off by them. In 1985 General Electric introduced its limited-function HomeMinder (about \$1,500) with advertisements showing a video screen on which instructions were written in cryptic computerese ("Cancel to quit," "Enter for more"). No wonder GE has since retreated from selling these systems directly to the public.

"It's got to be simple to use, simple to look at, simple to install," insists Bruce Abraham, the marketing manager for a

home-automation system costing \$2,000 to \$15,000 (depending on home size and options) to be introduced by early next year by Mitsubishi Electric Sales America. The system, which is being designed and manufactured in the United States (and is much different from a Mitsubishi system already sold in Japan), incorporates eight to sixteen on-off buttons (so elementary that no one should find them intimidating), a phone, and a digital keypad. The biggest drawback of the Mitsubishi system is that its master control device, a wall console, is unusually large—about twenty-four inches high and eleven inches wide. Try finding an unobtrusive spot for that in the kitchen or family room.

Digital keypads—either on touch-tone phones or separate mechanisms—are one of the most popular means of control, for several reasons: they're small enough to be inconspicuous, they cost relatively little, they're familiar to everyone, and they can transmit thousands of instructions when different sequences of buttons are pushed. Some people position keypads in several places around the house, such as the living area and the master bedroom, and near exterior doors, where they provide convenient command of security systems and outside lighting.

At their most advanced, automation systems make it possible for people to monitor their homes not only from many places within the house but from almost anywhere in the world. Mastervoice offers a limited amount of long-distance control through an optional X-10 telephone responder, a keypad about the size of a cigarette pack, which works in conjunction with Butler-in-a-Box. The owner begins by dialing his home phone number. After hearing three beeps, he holds the telephone responder next to the receiver and presses code buttons that emit tones telling the system to turn on the furnace, turn off the security system, or regulate other household devices; up to eight instructions can be given by phone.

Unlimited control by phone—without having to carry a telephone responder everywhere you go—is available through Max, a home-automation system that was put into national distribution last year by a five-year-old company called Archinetics (1750 N.W. Front Ave., Portland, Oregon 97209, 503-241-2724). After dialing home on a touch-tone phone and pressing an access code, the owner hears Max, which has a syn-

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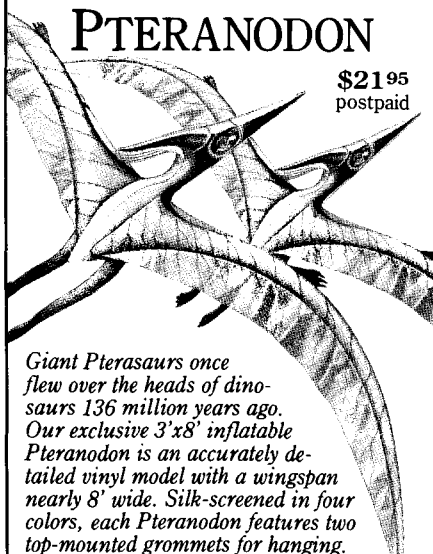
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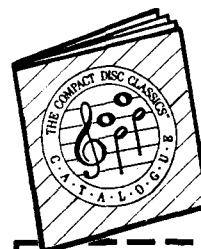
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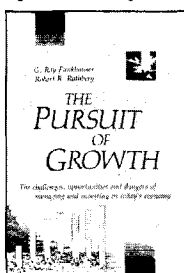
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thesized voice, say something like "Hello, Bill," and then "Enter function." If you wanted the furnace to start warming the house, you would press "E" for "environmental control." Max would say, "Enter environmental function." You would press "H" for "heating." "Present setting is 62 degrees," Max might report. You could respond by pressing "70." Max would verify the instructions by saying, "New setting is 70. Press star key to confirm." If you'd made a mistake or changed your mind, you could cancel your order by hitting the "#" button. If at any point you forgot what to do next, you could push the operator button and Max would tell you your choices. "You don't have to memorize which buttons do what," says Grayson Evans, the president of Archinetics. What's more, "you could tell Max your work phone number," Evans says, "or the number wherever you are, and it would try to track you down if there was an abnormal situation, such as a break-in or a furnace breakdown." Max can call to remind you of anniversaries, appointments, and other events. And it can deliver messages from one member of the household to another. A mother who is going out to work can leave a message for her son by speaking into a master intercom. When the son comes home, Max will deliver the message in the mother's voice.

Max can adjust to the household's living patterns. If you say, "Max, turn off the outside lights when we go to bed," the system will do so, helped by built-in sensors that tell it where people are located inside the house. The Max system typically costs \$10,000 to \$12,000 in a house of 3,500 to 4,000 square feet.

THE NEXT BIG leap in home automation will come in 1989, when the National Association of Home Builders Research Foundation starts authorizing builders to construct limited numbers of Smart Houses—dwellings in which voice control, remote control, and the programming of household devices are provided through the basic wiring network rather than through add-on mechanisms.

The Smart House, under development since late 1984, with the cooperation of some of the nation's largest manufacturers of electrical components and home appliances, will introduce a fully integrated form of household wiring, combining the functions now handled

by separate wires for electrical power, doorbells, cable TV, telephones, and alarm systems. As a result, it will be possible to send messages to any electrically or electronically controlled device in the home, and even to gas-powered appliances. Houses will be safer. If a baby puts its finger in an electric socket, the control apparatus will recognize that the finger is not a device that is supposed to receive electrical current, and power will not flow. Shocks and electrocutions should become rarer.

It will be possible to program Smart House appliances to communicate directly with a power company, so that some energy-hungry appliances, such as water heaters, will operate primarily during hours when the utility rates are lowest. Initially, Smart Houses may cost a few thousand dollars more than houses with conventional wiring, but the difference in price should lessen within a few years. Smart Houses are expected to become a prominent part of American homebuilding in the 1990s, and Smart House retrofit systems are scheduled to be introduced during that decade, so that older houses can be given the same capabilities.

As the diversity among home-automation systems grows, one of the most important questions for people to consider will be how machine-like they want their houses to become. There's much to be said for tying together the growing array of powered devices in American homes—in an unobtrusive way. My own preference would be for a system that is little seen and rarely heard. There are already so many questions, instructions, and messages, electronic and otherwise, bombarding us in cars, stores, banks, workplaces, and other locales, that we hardly need to interject additional demands on our attention into our most private realm, the home.

Certainly, an important technology is being developed, and its impact will be widely felt—particularly as prices become more affordable and the public realizes how much mastery is being made available. Home automation is now in the position that personal computers occupied a few years ago, before thousands of stores began hawking computers directly to the non-corporate public. What remains to be established is the kind of retailing network that will move residential automation into the world of mass merchandising. Keep an eye out, as the 1990s approach, for Home Controls R Us. □

MUSIC

WEST COAST GHOST

The return of the bebop saxophonist Frank Morgan

BY FRANCIS DAVIS

THE HOTTEST NEW name in jazz is that of a fifty-three-year-old alto saxophonist who sacrificed his youth to heroin. Frank Morgan was one of a legion of musicians doomed to addiction by their idolatry of Charlie Parker, the bebop messiah whose habit was as mammoth as his genius. "I think it was 1952, when Bird came back to LA for an engagement," Morgan says of breaking the news to Parker that he was "a member of the club." "It broke his heart," Morgan says. "He said, 'I thought you were the one who had sense enough to be able to look at what it's done to me.'" The sermon ended when Morgan flaunted the half ounce of heroin and the half ounce of cocaine he'd just scored. "He talked to me about dying. In a tragic sense, I think Bird felt he could set a better example by dying."

If so, Parker's disciples failed to heed the warning. Upon learning of Parker's death (at the age of thirty-four, in 1955), Morgan and several other participants in a Los Angeles jam session mourned him by shooting up. Later in 1955 *Frank Morgan* (GNP Crescendo GNPS-9041), Morgan's first album as a leader, was released, with hard-sell liner copy nominating him as the new Charlie Parker. By that time Morgan was well on his way to a \$1,000-a-day habit, which he would eventually support by forging checks and fencing stolen property. First arrested in 1953, he spent the better part of the next thirty-two years in California county jails and state penitentiaries, and the few critics and record collectors who remembered him eventually assumed that he was dead.

I spoke with Morgan last spring, during his second visit to New York, a magical city for him. The day before his first trip east, last December, a California court lifted his parole, which was scheduled to last until 1988 and would have prevented him from accepting lucrative offers to perform in Europe this summer. During that first week-long stay he recorded a live album at the Village Van-

guard and was in constant demand for interviews for the first time in his career.

On his return visit he was in perpetual motion, going to a methadone clinic early every morning, recording an album with the pianist McCoy Tyner over the course of three long afternoons, and performing three sets a night at the Vanguard, usually not arriving back at his hotel until 4:00 A.M. There was a near crisis on opening night at the Vanguard. Morgan fired a veteran New York pianist who, he thought, was feeding him the wrong chords. This distressed Morgan, first of all because the pianist had recorded with Charlie Parker, in the 1950s, and second because he feared that the New York musicians whose favor he was courting would be up in arms if an outsider found fault with one of their own. But the musicians he talked with assured him that they sympathized, and Morgan doted on their approval. During his stay he met with the *New Yorker* staff writer George W. S. Trow, who sought his collaboration on a musical drama. Trow says that the play, which depicts some incidents from Morgan's life, was partly inspired by the "nobility" he perceives in Morgan, as a musician and as a man. Morgan will have both a musical and a speaking role in the play, which will have its premiere in New York next month.

It was difficult, as I shared a taxi with Morgan, not to see the city through his eyes. With rain on the way, the skyline looked even more oppressive than usual to anyone used to looking at it. But this was the skyline that Morgan had imagined from countless prison cells—a skyline with his star glittering on the horizon.

A FREE MAN AT last, with three highly rated albums to his credit since 1985, Morgan is obviously good copy—which, one suspects, is why he has been interviewed for *Newsweek* and *CBS Sunday Morning*. The mass media have no great love for jazz, but they do love a



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success story—especially, now, one whose moral can be boiled down to the slogan “Just say no.”

But Morgan has also attracted the attention of fellow musicians, who have seen too many former drug abusers rise from the ashes to bother warming to another one unless he has something else going for him. Players who emerge from oblivion to make waves are generally either prophets (like Ornette Coleman, when he introduced free improvisation, in 1959) or throwbacks (like Bunk Johnson, rediscovered in Louisiana two decades before). Morgan is neither. He plays bebop, which is still the most prevalent form of modern jazz, although it is now over forty years old and subject to endless permutations. But he plays it with an urgent authenticity that inspires fantasies of the Royal Roost and Minton's in the era when Parker himself held sway, before bebop splintered into hard bop, “cool” jazz, and free bop, and finally devolved into cliché—the price it paid for becoming the most prevalent form of modern jazz.

In one sense Morgan is a “West Coast ghost”—the phrase is both the title of a Charles Mingus composition and Mingus's apt designation for those California-bred musicians, like himself, who chose New Yorkers like Parker and Dizzy Gillespie as their role models. Because jazz history is as prone to oversimplification as any other kind, jazz on the West Coast in the forties and fifties is supposed to have been mentholated and supernal—cool, in polarity to bebop's scalding heat. Morgan's fire is a necessary reminder that bebop became a bi-coastal phenomenon during the sixteen eventful months that Parker spent in California, beginning with an engagement at Billy Berg's, in Hollywood, in December of 1945. Bebop was also biracial, of course, as was cool, which was essentially a bebop offshoot. But because the overwhelming majority of records issued by West Coast labels during the period featured white musicians with temperate styles, listeners in other parts of the country had an incomplete picture of California jazz. “We weren't part of the cool scene at all,” Morgan says of the Los Angeles bebop underground, which also included the trumpeter Howard McGhee, the alto saxophonist Sonny Criss, the tenor saxophonists Dexter Gordon and Wardell Gray, the pianist Hampton Hawes, and others who have been forgotten. “It was a racial squeeze. Only a few of the

black musicians on the West Coast were being recorded.”

But despite his loyalty to Parker, Morgan's penchant for contrapuntal improvisation when working with another horn suggests that cool's niceties were not lost on him, just as the overblown notes and scalar runs that dot his up-tempo solos suggest a willingness to use techniques associated with free jazz to give bebop an unexpected modern spin. Morgan was still on drugs and wanted for parole violations when he recorded the understandably furtive *Easy Living* (Contemporary C-14013), his first album as a leader in thirty years, in June of 1985.



Lament (Contemporary C-14021), recorded almost a year later, after Morgan turned himself in and served four months, was the album that announced his resurrection. *Lament's* ballads showed that Morgan shares Parker's speechlike delivery, his courtly approach to melody, and his knack for transforming pop songs into the blues. In other words, Morgan is blessed with what might be called the common touch, a way of appealing to the unschooled listener on the most basic musical level even while spinning lines of enormous harmonic complexity. His passionate reading of the folk singer

Buffy Saint Marie's “Until It's Time for You to Go” is a vivid illustration of the power of ardor to rehabilitate treacle (an even more striking example of this is “Theme From Love Story,” on Morgan's forthcoming Contemporary album with McCoy Tyner), and his nimble choruses on Wayne Shorter's moody “Ana Maria” demonstrate his ease with non-bebop material.

Even if its material is more conservative, *Bebop Lives!* (Contemporary C-14026), recorded during Morgan's Village Vanguard debut, is the album that captures him at his peak. The flügelhornist Johnny Coles's sidelong phrasing contrasts humorously with Morgan's more frontal attack, and they banter good-naturedly in stating the theme of Thelonious Monk's “Well, You Needn't.” Morgan proves that he is capable of running chords with the best of them on Jackie McLean's “Little Melonae” and a version of Cole Porter's “What Is This Thing Called Love?” that is jammed with allusions to Tadd Dameron's “Hot House,” one of the song's more ingenuous bebop derivatives. But Morgan's unaccompanied introduction to Jerome Kern's “All the Things You Are,” with its broken cadences and phantom glisses, is, finally, the most convincing display of his mastery. His solitary wail offers needed reassurance that bebop still holds potential for soul-searching introspection, not just breast-beating exhibitionism.

ACCORDING TO Morgan, it wasn't just his addiction that was responsible for his long pattern of recidivism. Morgan was a privileged character behind bars, admired by fellow inmates for his musical prowess and his adherence to the underworld code (he once refused to lead authorities to his higher-ups in a forgery ring, despite being offered leniency if he would do so). In San Quentin, in the 1960s, he had access to everything he felt he needed, including plentiful supplies of heroin and the opportunity to perform regularly with the prison band. “I had everything I shouldn't have,” Morgan told me in New York. “But I didn't have freedom, privacy, dignity, self-esteem—everything I value now. In San Quentin I had a better rhythm section than I had at the Vanguard last night. Maybe not better man-for-man, but for me prowess isn't as important as rapport. But I couldn't fire a musician. I'd have been stuck with him until he got paroled, or until another

stupid musician who played better went and got himself locked up. In prison now there might be good *rock* rhythm sections, but they couldn't give *me* the guys to play with, and even if they could, I wouldn't want to go back. The prison population has changed, or maybe I've changed. The guys I just left in prison, I don't want to be around them. I'm not one of them."

Ten years ago the alto saxophonist Art Pepper—another West Coast ghost, and a former bandmate of Morgan's at San Quentin—arrived in New York with a story much like Morgan's, but with more sordid and frightening details. Pepper also recorded during a triumphant engagement at the Village Vanguard, but later admitted (in his 1979 autobiography, *Straight Life*, co-authored by his wife, Laurie Pepper) to shooting so much cocaine that he practically had to be carried to the club on the final night. Pepper's solos took on awesome power in the five years between his Vanguard debut and his death, in 1982. Suspicion lingers that he never successfully kicked his habit.

A cynic might observe that Morgan, having failed to become the new Charlie Parker, might instead become the new Art Pepper. Morgan is clean, but will he be able to stay that way? He has a supportive companion, in Roselinda Kolb. But he and Kolb, a visual artist, have been a couple since the late seventies, and she wasn't able to save him then.

Still, Morgan is visibly milder in temperament than Pepper, whose criminal exploits seemed to allay his early feelings of inauthenticity as a white musician playing a music identified with blacks. Finally, one suspects that Morgan relishes the newfound attention he is receiving too much to risk losing it by reverting to his old ways. Success, now that he has had a small taste of it, might prove to be the most addictive high of all. "Before, I always had excuses. I remember when Ornette Coleman came on the scene, I lost hope. I said, 'I'm not going to play this.' When I was offered a recording contract a day after I got out of prison, on April 2, 1985, it scared me. I think it contributed to my using again. But when I walked into the studio [two months later, to record *Easy Living*] and played with Cedar Walton and Billy Higgins [a pianist and a drummer, respectively, both much better established than Morgan at the time], and found out that I could do it, everything changed. I no longer had an excuse to fail." □

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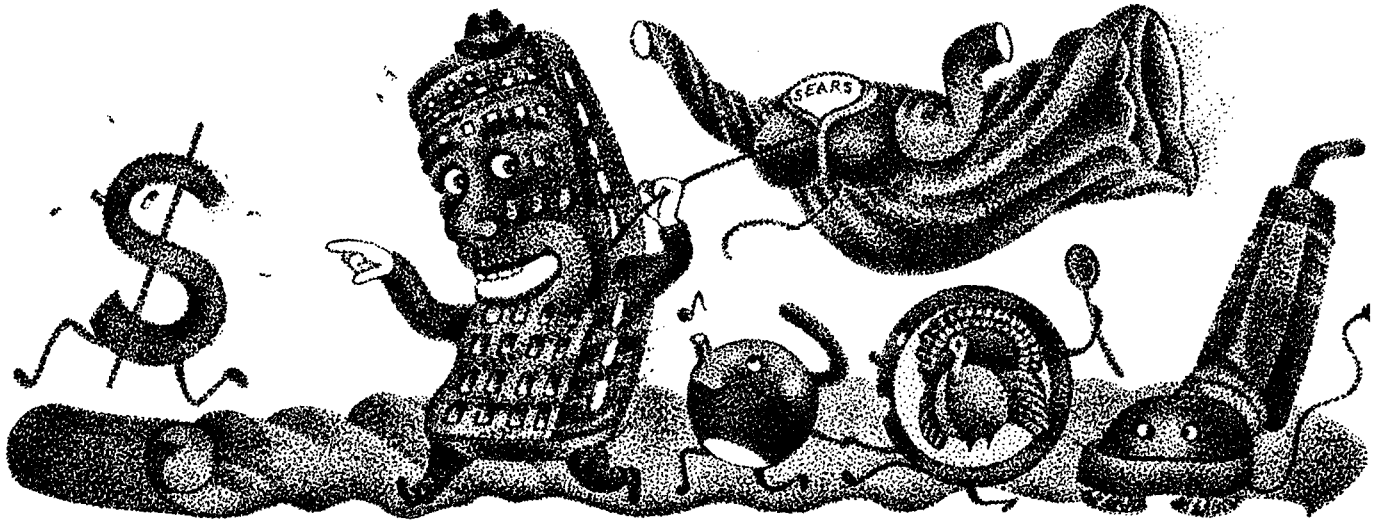
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BOOKS



AMERICA'S STORE

BY NICHOLAS LEMANN

THE BIG STORE: Inside the Crisis
and Revolution at Sears
by Donald R. Katz.
Viking, \$22.95.

IN 1983 Edward R. Telling, then the chairman of Sears, Roebuck & Co., decided to grant Donald Katz the company's full cooperation on his research for this book, without asking for any kind of editorial control in return. Katz, a magazine journalist whose first book this is, probably got the freest access that any writer of a non-authorized work has ever had to the inside of a major American corporation. He sat in on many meetings, tagged along on high-level executives' trips, interviewed everybody in top management at Sears at length, and got into the company's archives. He is equipped to report the exact words of executives on discovering that they were fired or passed over for promotion. At a key moment of corporate succession he appears, like a sportscaster in a locker room, to ask the winner how it feels. He describes in detail not only deals that went through, which corporations are often happy to brag about, but also the usually secret subject of deals that didn't, like Sears's attempt, in 1981, to acquire Merrill Lynch. Katz had what amounts to a one-time exemption from a basic limitation of journalism, which is that no reporter can have better

than a keyhole-peeping relationship with an institution.

Having been given such an unusual opportunity, Katz obviously was determined to make the most of it. He spent several years researching Sears, and has turned out a hefty volume, of more than 600 pages. He has taken care to avoid the appearance that he's pulling punches in gratitude to Sears for its cooperation—for example, he has a thorough passage on anti-Semitism at Sears, and he reports that Telling regularly used a Sears plane to play hooky at various race-tracks with his cronies. Katz wanted, above all, to use his access to Sears to produce a work of literary as well as reportorial merit. He has had a sustained look into the pulsing heart of Middle America: Sears is the thirteenth-largest corporation in the country; one in thirty Americans is a present or former employee; three in four Americans walk into a Sears store at least once a year; its headquarters, in Chicago, is the tallest building in the world; and the company symbolizes practical, white-bread values better than perhaps any other. Katz sees today in Sears the kind of mythic centrality to the culture that Sherwood Anderson saw in the turn-of-the-century inventor-businessman. For some reason, the strain in the national life that Katz rightly feels Sears represents has been difficult for writers to capture lately. It's there as plain as the nose on your face, but the literary world has no direct contact with it, and there's a tendency to attitudinize about it—to sneer, to recoil, or to sentimentalize. Katz is trying here to show that a writer can, instead, turn provincial business life into art.

IN THE FIRST decades of this century Sears was a mail-order house; its mostly rural customers used the famous Sears catalogue in place of a real store. When General Robert Wood took over the leadership of the company from Julius Rosenwald, in 1922, he made it his mission to turn Sears into a retail chain; and for fifty years Sears built stores all over the country. Sears was in a curious position with regard to the development of a national market in the United States: because it was one of the pioneers of standardized name-brand shopping, it had to make many concessions to the diversity of the country (which it was helping to destroy). When Wood set his course at Sears, there was no television or jet travel and barely any long-distance telephoning. Massachusetts and California were different cultures to a much greater extent than they are today. So Wood had to give a great deal of autonomy in price-setting and merchandise selection to the local managers.

As a result, by the 1970s Sears was absurdly decentralized. There was virtually no uniform pricing, the company's own buyers had no guarantee that the stores would stock their goods, and the way goods were displayed was mostly left up to the store managers. Katz reports that once, the head of store operations actually tried to prohibit Sears buyers from setting foot in Sears stores. The hayseed-and-proud-of-it culture of the field operation, combined with Sears's sense of invincibility and Wood's lengthy dotage, produced many examples (some of which are still around) of Sears stores that were spectacularly out of it: inefficient, warehouse-like, and

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cluttered with merchandise that was a good fifteen years behind the times. The expansion of national department-store chains and of specialty stores like The Gap lopped off the top of Sears's market, and K mart, with its air of joyously naked bargain-hunting, took away the bottom. All the company's economic vital signs were poor by the late seventies, when Telling was vaulted into the chairmanship to shake things up.

The early part of Telling's tenure was disastrous. He put two old crocodiles in charge of the buying and merchandising divisions, in hopes that they'd establish a sense that headquarters was finally in charge; instead, all they did was fight with each other. The numbers kept getting worse. Then Telling got rid of most of Sears's older executives, by offering them a generous early-retirement package, and put Edward Brennan, whom he later named to succeed him as Sears's chairman, in charge of both sides of the stores, buying and selling. Brennan turned the merchandising division around, and Telling spent his time acquiring other companies, most notably Dean Witter, the stockbroker, and Coldwell Banker, the real-estate company. The idea that Sears, the retailer America trusts, could persuade its customers to invest and bank, as well as shop, at its stores entranced Wall Street and the press. By the time Telling decided to cooperate with Katz's research, he was being hailed as the genius who had saved Sears. Perhaps he had enough confidence by then to feel that a book about Sears would be as favorable as all the articles had been, and more lasting—that it would give him his place in history.

While Katz is remarkably free of the usual sin of the journalist with access, which is lionizing of the access-granter (he conveys Telling's flaws, and also Brennan's, very well), he does lionize Sears and the scale of Telling's accomplishments. Katz seems to have decided that the way to make his book important as a piece of writing would be to emphasize the grandeur of Sears. One can see the reverse-snobbish appeal of this—most bards of Middle America have stressed its banality, or its corruption—but his choice of tone was a big mistake, one that keeps *The Big Store* from being a real success literarily.

Every so often Katz will burst into a flight of heroic rhetoric that sounds like a cross between a Sunday sermon and a passage from an old-fashioned world-history textbook. He compares various

Sears executives to Robespierre, Charles de Gaulle, Apollo, Alexander the Great, "medieval barons," and "the emperors of Rome." Brennan caused "the deracination of people as in great floods and plagues." Telling "directed the forces of empire into entirely new realms." The head of Sears's far-western territory is "one of the most powerful businessmen in the world." Trash compactors are "the miracle of trash compactors." The reason that a large sign saying SELL MORE UNITS is hanging at a sales meeting is that "every great rally in the public squares and great halls of history had a banner." Sears is important, but it isn't that important. Katz should have used its employees' company-as-world outlook as a phenomenon to be examined, rather than appropriating it.

Also, though Telling and Brennan changed Sears a great deal, Katz's implication that they have restored it to its full former might is a little overblown. Retailing profits have been in another slump since the end of the period covered in the book, and of the new divisions, only Coldwell Banker has performed really well. The federal government has so far prevented Telling's great dream—that Sears would replace the small-town bank as it once did the general store—from becoming a reality. The publicity attending the accession of Michael Bozic to the top retailing job at Sears this year has been amazingly similar in tone to Katz's description of Brennan's accession to the same job in 1980: there has been the same talk of a bureaucracy mired in the past and badly in need of stronger direction from headquarters.

The evidence Katz presents tempts one to be mildly cynical about Telling's triumph. As an upper-level executive, Telling befriended some management consultants that the company had called in to help solve its problems, and the position that was to become his springboard to the chairmanship was a new one that the consultants talked the company into creating. As soon as he got the top job, Telling hired the most involved of the consultants, Phillip Purcell, as his assistant (Purcell appears to have been Katz's most copious source). Telling's two great initiatives, centralizing the merchandising operation and diversifying into financial services, were both initially Purcell's idea. When Telling had finished making his acquisitions, Purcell was given the megabucks job of president of Dean Witter, which has per-

formed poorly since he took it over, even though Wall Street is booming. The next consultant of whom Telling became enamored was Roderick Hills, a former chairman of the Securities and Exchange Commission. He brokered the Coldwell Banker and Dean Witter deals and was rewarded with a fancy new Washington-based division called Sears World Trade, which flopped spectacularly. (Katz is wonderfully wise to the name-dropping, corporate-jetting game that Hills played, and to the way Hills flattered Telling with his confidential talk of lofty matters that no one at Sears but the two of them had the sophistication to understand.)

It has become the standard complaint of books on management that corporate executives spend too much time planning acquisitions with non-operations people, but not minding the store sure worked for Telling. Wall Street rewarded his strategizing by driving up the price of Sears stock, and Brennan did the gritty job of reforming the merchandising division. His "Stores of the Future" are a skillful updating of the Sears mission—they look like department stores, but the decor is much cheaper, and the level of trendiness of the goods is the product of a near-perfect gut instinct for Sears's place in America. Now that *Miami Vice* is just a little past its peak, you can buy a wrinkled-look white jacket at Sears for \$25, or about a fifteenth of the price of the version Don Johnson wears. There are beige refrigerators for sale, as well as white ones. The celebrities after whom Sears lines of clothing are named—Arnold Palmer, Cheryl Tiegs, Stefanie Powers, Johnny Carson—all have a healthy, between-the-coasts kind of appeal.

Brennan comes by his feel for Sears honestly. He is a third-generation Sears employee; when his mother left his father during his childhood and moved to Mexico, she stayed with Sears. (His brother, who left Sears because of sibling rivalry, runs Montgomery Ward.) The book portrays Brennan as efficient in a bone-crushing way that makes you want to run out and buy Sears stock but not to work for him: Katz shows him obsessively smoothing the wrinkles out of his suit jacket, keeping daily tabs on the performance of every major department in every big Sears store, and choreographing the seating of Sears executives during brief car rides. It isn't so much that he takes Sears seriously as that his identity is inseparable from Sears. With-

out a hint of irony he can intone the lyrics of Kenny Rogers's "The Gambler" before an audience of hundreds of people, or say of someone, "The man was the finest polyester-buyer in the whole world," or hang on his wall a plaque with the Orwellian sales motto "We are they, They is us." If there is a perfect living antithesis to everything hip, knowing, sophisticated, urban, and cynical, it's Brennan.

WHAT'S BEST, AND rarest, about this book is not its drum-rolling about the fate of the Sears empire but its portrayal, through the characters of Brennan and several other executives, of what it's like to work inside a big corporate bureaucracy.

All the top merchandising executives in *The Big Store* are products of a life that seemed after the Second World War to be the future of America: the life of the organization man. Most of them grew up in small midwestern towns or on farms, in modest circumstances, and joined Sears right after college or the service. They spent the better part of their twenties, thirties, and forties moving every couple of years from town to unglamorous town—in Telling's case, Danville, Rockford, Decatur, and Fort Wayne, to begin with—and in the process Sears took on for them many of the functions of a family and a community even as it was taking a severe toll on their own family and community lives. It seems to be no accident that the two men who did the best in the Sears system in the seventies, Telling and Brennan, both came from troubled families (Telling's father never got over losing his job, in a bank, during the Depression) and clearly regarded Sears as a balm for their deep emotional wounds. Telling's parting words to Katz after he picked Brennan to succeed him were, "Sears is like a beautiful woman, and when you talk about it, talk like you're making love to a woman."

By the time they made it to the big payoff job in the Sears Tower in Chicago, in their fifties, these men were totally committed bureaucrats. They engaged in interdepartmental warfare with the passion of people who believe that it's the stuff of life. The company controller threatened his enemies with expense-account audits. Another executive moved away from a neighborhood he loved after he got a big promotion, because his friends there were all Sears men at his former level, from whom he

had to distance himself. Telling, Katz strongly implies, was substantially driven as chairman by the desire to take revenge on those who had wronged him through the long years of his rise. As for Brennan, with his fanatical attention to detail and his fondness for cryptic Sears-as-Godhead slogans, he puts all the other company men in the shade. He would have made a great Army Chief of Staff, or Soviet Party Chairman.

General Wood, who was one of the leading American isolationists before the Second World War, established a kind of secular religion of midwestern squareness at Sears that persists to this day. Every one of Brennan's infinitude of rah-rah dinner meetings begins at 6:00 P.M., and the main course is always steak. Katz notices that true Sears men all have pinhole-riddled lapels on their suit jackets from wearing so many HELLO MY NAME IS placards. Daytime meetings always begin with a vigorous call-and-response of "Good morning!" or "Good afternoon!" Naturally, real Sears men hate New York and Washington. Telling closed the overly worldly New York buying office of Sears as one of his early official acts, and once, riding down in the elevator after making a presentation at Morgan Stanley, the plummy investment house, he said, "Say there, fellas, jus' what is it this here Morgan and Stanley outfit makes, anyhow?"

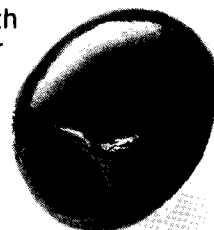
By now Sears, which for so many years was exactly as unchic as most of the country, is if anything too wholesome for America's tastes—the Wall Street analysts are pressing it to become more trendy. Organizationally it isn't as much of a paradigm as it used to be either. The allure of the big company, as an employer and as a purveyor of goods, has faded considerably over the past quarter century; it is hard to imagine that in another quarter century the organization Katz describes won't seem like a period piece. If it were a period piece already, Katz's job would have been easier; as it is, its typicality is exactly what makes Sears a difficult subject.

There is a photograph in *The Big Store* that appears over the caption "Senior Management of the Merchandising Group, 1980." It shows a group of twelve men arrayed behind Edward Brennan—they're white, middle-aged, and short-haired, dressed in dark suits, white shirts, black shoes, and striped ties. They spend their lives planning The Challenge Year and quarreling over the Audit Transfer Memoranda. Every-



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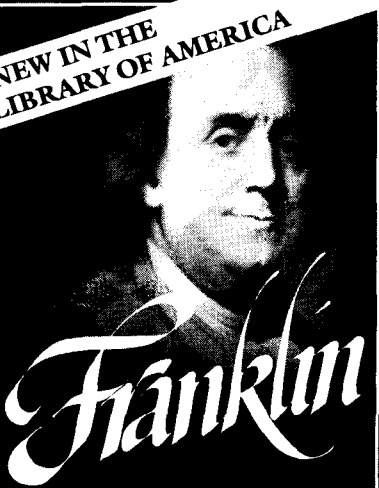
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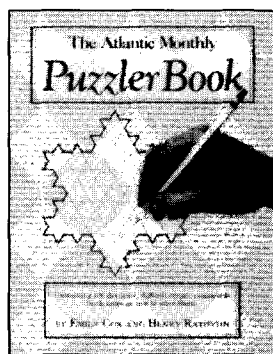
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body knows that in some way they represent the absolute center of this country, and yet we're conditioned to think that there's something boring and insignificant about them. Is this just prejudice? Maybe. Katz, to his enormous credit, has made them and their work interesting. If they're more than interesting—if they're profound—he hasn't proved it, and whether that is his failing or theirs is an open question. □

OUT OF MIND

BY MARK CRISPIN MILLER

THE LAST INTELLECTUALS:
American Culture in the
Age of Academe
by Russell Jacoby.
Basic Books, \$18.95.

"THIS BOOK IS about a vacancy in culture, the absence of younger voices, perhaps the absence of a generation." Thus Russell Jacoby begins his odd survey of America's cultural terrain, which, he points out, is missing something: a fresh cohort of public intellectuals. There now seem to be very few young intellectuals who are able—or inclined—to write in the vernacular, in a critical spirit, for an educated public. "Today, a quarter of a century later, we continue to listen to the same intellectuals, Norman Mailer or Daniel Bell or John Kenneth Galbraith or Gore Vidal, who first gained attention in the 1950s." Meanwhile, those "younger voices" that ought also to be speaking out in public are speaking, by and large, only as academics—only to each other, and mainly to get tenure, or to earn a raise.

In other words, "the habitat, manners, and idiom of intellectuals have been transformed within the past fifty years." To demonstrate this gradual transformation, Jacoby presents evidence both ample and diverse, but his primary means of narrating the change is to recount—through brief biographies—the stories of three consecutive generations. First were those "classic American intellectuals" born at the turn of the century, such as Lewis Mumford, Edmund Wilson, and Dwight Macdonald, all of whom wrote well and critically on many subjects and who, avoiding the academy all their lives, "deferred to no one." Then came what Jacoby calls the "transitional" generation, born around 1920 and in-

cluding Alfred Kazin, Irving Howe, and Daniel Bell—men whose lives as intellectuals began when it was still possible to make a living as a free-lance writer but who finally entered the academy once that possibility had all but vanished, in the fifties.

Jacoby devotes much of his study to the third generation, born since 1940—Jacoby's generation (and my own). This is, of course, the same generation that rocked the campuses in opposition to the war in Vietnam. That protest inspired or encouraged new forms of scholarly endeavor: ethnic studies, revisionist readings of American history, and social criticism influenced by the works of, among others, Norman O. Brown and Herbert Marcuse. Jacoby's works are late products of that New Left movement. In *The Repression of Psychoanalysis*, *Otto Fenichel & the Political Freudians* (1983) and the caustic *Social Amnesia* (1976), he has continued the Marcusean effort to reconcile Freud with Marx, in an attempt to illuminate, and perhaps to reverse, the impoverishment of America's political consciousness. (It is worth mentioning here that Jacoby, trained as a historian, is an academic of the most marginal kind: a "gypsy scholar," roaming from school to school in a series of one-year terminal appointments.)

Jacoby is understandably struck by the fact that many of the same people who, as students, once fought the university are now working for it—and making absolutely no impression on the world that they once so outraged. He discusses this paradox at length. Astutely he describes the dampening effects of professionalization on the dissident temperament. Compared with the painful careers (which Jacoby details) of C. Wright Mills and Staughton Lynd, the careers of many leftist professors are as quiet, productive, and (therefore) rewarding as a typically careful rise in any other corporation. Jacoby counters a familiar rightist canard by pointing out that the Marxists teaching in the universities today are hardly likely to stage any coups: "The New Left that stayed on the campus proved industrious and well behaved." Under the constant threat of unemployment—"the final danger in a liberal society"—these professors have learned to "blend in; use the time allotted to establish scholarly credentials; hide in the mainstream."

There is, Jacoby makes clear, a disheartening similarity between the predominant kind of academic writing and

most of the work done on the left. He deals first with the academic mainstream. Relying on careful overviews by dissatisfied insiders, he reviews the situations in philosophy, political science, sociology, international studies, and economics, finding that in all of them the thing in the profession is merely to keep the profession going. As the disciplines have each expanded, they have become only less illuminating, dealing less with common problems, and resorting more and more to such obscurantist devices as "cliometrics," mathematical models, and mere jargon. The purpose of such professionalization has been not to enlighten non-professionals but to make them feel stupid, while generating few opportunities for the advancement of careers.

Jacoby's discussion of this general problem is, although compelling, not new. What is noteworthy is his perception that the academic left has, by and large, succumbed to the same professionalist imperatives that have also made much mainstream scholarship so narrow and unreadable. Jacoby's bluntness is refreshing. After quoting an especially laden chunk of prose by Erik Olin Wright, a Marxist sociologist, Jacoby comments, "This might be called Marxist voodoo." And he coolly devastates an essay in which Fredric Jameson, the eminent Marxist literary critic, celebrates the Bonaventure Hotel in Los Angeles for its suggestions of a "new hyperspace," of "a dialectical intensification of the autoreferentiality of all modern culture," and so on. Jacoby rebuts all his postmodernist enthusiasm with some refreshing materialist common sense. Jameson exults, for instance, that the hotel's small entranceways "seem to have been imposed by some new category of closure governing the inner space of the hotel itself." Jacoby asserts that the hotel's entranceways are small, almost invisible, "to keep out the local population, predominantly poor and Hispanic."

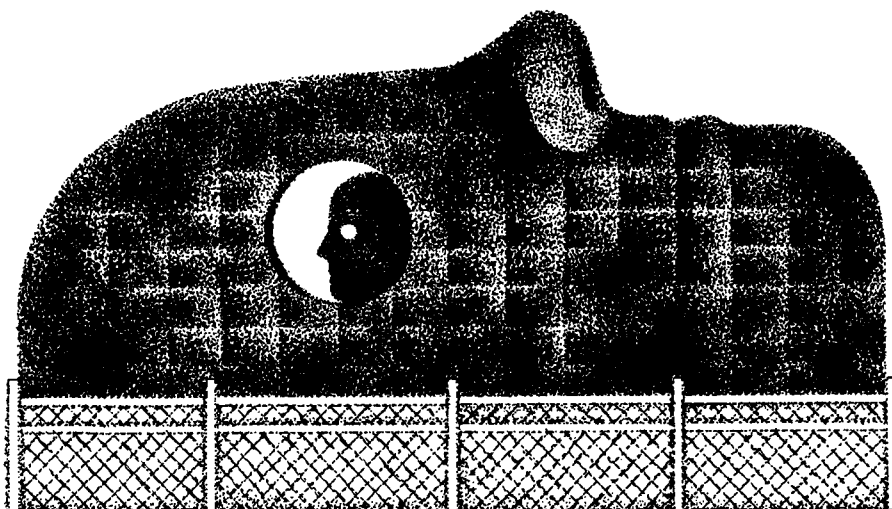
As Jacoby sees it, Jameson's hip theorizing represents a critical discourse that effects not on the world but on trends in the profession—that is, therefore, not really critical at all. Thus, in absorbing the intelligentsia, the academy has neutralized it. Against the dissertations of the academic left Jacoby places earlier books that, while often ideologically Amer-

public. He cites, for example, one soporific passage by the Marxist geographer David Harvey, and then lists certain books on the same subject from nearly thirty years ago: Jane Jacobs's *The Death and Life of Great American Cities*, Lewis Mumford's *The City in History*, William H. Whyte's *The Exploding Metropolis*, and others. Compared with the academic literature, these books "breathe of public discussions, open, engaged, and lucid."

However, one of the great strengths of *The Last Intellectuals* is that Jacoby has avoided simplistically praising those who came before. Never does he commit what he calls "the primal heresy, nostalgia." An able dialectician with a broad view of America's cultural past, he consistently renders the sort of mixed judgment that urges the reader to think historically. For instance: "Compared to

tions, evils on which everyone can lay the blame—the devices lately used, for instance, by Allan Bloom in his best-selling polemic, *The Closing of the American Mind*. This new book is no vague and crude lament but an analysis that also tentatively seeks the causes of the problem: Jacoby prefaces his discussion of academia with some valuable chapters on the spread of suburbia and the consequent disappearance of bohemia—the most pertinent social and material developments, according to Jacoby, who invokes throughout this book an ideal of the city as a place where intellectuals could once afford to live and congregate as writers but which has now, for many reasons, all but closed down.

At issue here is not simply the extinction of quaint old ways and places but—far more important—the slow elimina-



average academic fare, the writings of [Richard] Sennett and [Marshall] Berman shine; compared to the last generation's, theirs are drab and pretentious, even sloppy." And as he has refrained from deifying past figures, neither does he imply some past Golden Age of Public Intellectuals. Repeatedly Jacoby reminds us that the contemporary academic's defects are not new but more widespread, and perhaps more egregious, than they used to be; that the wholly independent intellectual has never been a common type, but that intellectuals could formerly enjoy a relative degree of independence, compared with the overworked academics of today.

In sum, *The Last Intellectuals* is an unusual book, in part because while it points to a certain deterioration in contemporary culture, its author never resorts to the banalities of the jeremiad: sweeping denunciations, glib distinc-

tion of a critical element from the American scene. An intelligentsia ought to serve the people, by lucidly and articulately resisting the influence of government and big business—forces that always seek public assent or acquiescence. If there are not such wayward intellectuals to contradict it, to rebut its lies and question its assumptions, the official version of the truth will stand forever as Truth itself.

But young academics, as Jacoby demonstrates, have had to turn their backs on public discussion in order to boost their careers. Whereas young intellectuals would once have seen their purpose as oppositional, as many did throughout the thirties and the sixties, or as they did in France during *l'affaire Dreyfus*, today there seems to be no space for them outside the academic corporation, which discourages all external contacts. Toward the end of his book Jacoby likens

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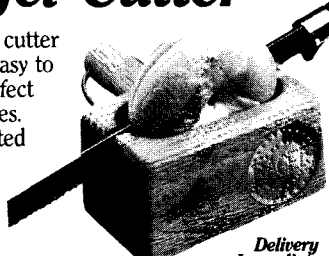
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this academic crisis to the state of modern journalism, which, he argues, has required of its younger employees the same quiescent professionalism that has muted the intelligentsia. Today, among younger journalists there can be none like, say, I. F. Stone. Because many of our professors and reporters have imperceptibly succumbed, our political culture is now being replaced by a wholly affirmative media spectacle.

"A small book confronting a large subject," in Jacoby's words, *The Last Intellectuals* does have some weaknesses. It is repetitious. Here and there it is also superficial, relying, as it sometimes does, on the conclusions of others. Nevertheless, it is important, because it deals so

intelligently with a cultural gap that is both dangerous and easy to ignore.

I began by calling this book odd. I did so not to criticize it but to suggest its strength. Because it candidly deplores the large social and political effects of an academicized intelligentsia and argues for an intellectual discourse in the vernacular, *The Last Intellectuals* will be written off by some as an "unprofessional" screed. Certainly no ambitious academic would have written it—there are now very few intellectuals who are not also academics, and an academic has to be ambitious. This is precisely the dilemma that Jacoby explicates in this disturbing book, whose very oddness is proof that its grim thesis is correct. □

BRIEF REVIEWS



I'M DYING LAUGHING by Christina Stead, edited by R.G. Geering. Henry Holt, \$19.95. Stead never finished this long novel about a married couple led to disaster by their mismatched devotion to each other and their insubordinate attachment to the Communist Party. If she had lived to complete the work, the exasperating gaps in time would no doubt have been filled and some of the windy orations by minor characters curtailed. The novel was evidently intended to combine the study of individual character (the two principals are superbly drawn) with forty years of social history from a radical point of view, and would probably have done so brilliantly. Even in its somewhat disjointed form, it is impressive. Admirers of Stead's will find it indispensable.

BONES OF CONTENTION by Roger Lewin. Simon & Schuster, \$19.95. It has been pointed out that "all sciences are odd in some way, but paleoanthropology is one of the oddest." Mr. Lewin's book explains why. Briefly, the fossil material available for study is limited, the dating of it is difficult, and the scientists who interpret it usually have, consciously or not, a bias toward one or another theory of human ancestry. Wide acceptance of a particular theory, moreover, is much to the credit of its proprietor and leads to financial support; fossil hunting is decidedly expensive. It is not surprising that

paleoanthropologists defend their turf with something close to ferocity. Mr. Lewin's example of a bickering over old bones is the ongoing squabble between Richard Leakey and Donald Johanson about the significance of their respective finds in Kenya and Abyssinia. The side effects of the disagreement range from deplorable to absurd, and the author describes them with respect not untinged by malicious humor.

OUTLAWS by George V. Higgins. Henry Holt, \$17.95. Mr. Higgins's latest novel contains a splendid courtroom scene in which a canny veteran judge, afflicted with legal melodramatics from both prosecution and defense, testily keeps the bar in order and maintains the proper administration of justice. The scene is ironic, for as Mr. Higgins unrolls his intricate plot, justice (of a sort) proves ultimately dependent on a network of private interests and personal eccentricities that influence and at times pervert the law. The dialogue crackles and glitters, and the events, which cover years, end with a quite unexpected bang.

HELL AND PARADISE by Peter Clarke. Viking, \$25.00. Mr. Clarke lives on Norfolk Island, a former British penal colony to which the descendants of the *Bounty* mutineers were removed when Pitcairn Island became inadequate to support them all. His book combines a history of

the old penal colony, which was beastly even by the standards of its kind, a history of the people of Pitcairn, an account of the family background of Fletcher Christian and speculations on what actually became of the mutiny's leader, and a discussion of the political status of Norfolk, which is currently engaged in a dispute with Canberra over whether the place is or is not the property of Australia. The text rambles pleasantly around all these topics, while the illustrations are plentiful if not always enlightening.

ANSWERED PRAYERS by Truman Capote. Random House, \$17.95. During his final, unproductive years, Mr. Capote extracted generous advances from his publisher by promising to complete a novel-in-progress. His death revealed that he had made very little progress on what appears to have been designed as the memoirs of a bisexual male prostitute (or perhaps that should be a male bisexual prostitute) and aspiring fiction writer. The fragments that his regretful publisher has salvaged from Mr. Capote's effects make little sense, but they do have a bitchy vitality. Whatever else he had in mind, Mr. Capote meant to bite every hand that had ever fed him.

THEIR PRIDE AND JOY by Paul Buttenvieser. Delacorte, \$18.95. Mr. Buttenvieser's novel is set in New York and concerns a very large and very rich Jewish family, centering on Peggy and Alan, a couple whose devotion to worthy causes and tribal honor blinds them to the tragedy building up in their own house. The cast of characters is enormous, and the people are so convincingly presented that the reader automatically grins when brother Phil turns up and cringes at the mere mention of his terrible mother. Much of the action is simply comings and goings, shopping sprees and inconclusive tiffs and family gatherings where the great problem is to prevent Alan from enumerating all the far-flung cousins and in-laws. There is nothing ethnic about Alan on the family tree—he is perfectly and comically recognizable to anybody whose clan includes a genealogical maniac. Much of the novel is, in fact, wryly comic in detail, although as a whole it is a sad and sinister story of parental misjudgment arising from self-importance and overconfidence. Peggy and Alan happen to be Jewish, but their like can be found in any group.

—Phoebe-Lou Adams

Answers to the September Puzzles

"SUBTRACTION"

The "remainders" spell A-plus.

Across. 1. SLIPS (double def.) 5. MO(RA)SS
9. TEAR (double def.) 10. CELESTA (anag.)
11. RE(COR)DS (roc rev.) 14. JO(IN)T 15. MAN-
ET 16. L(A)UNCH 17. PROS (homophone)
18. C-LOCKER 21. T(WOT)IME (rev.) 25. TRAP
(rev.) 27. SENORA (anag.) 28. C-REST
29. F(L)I(R)T 30. FLICKER (double def.)
31. CELEB(E)S 32. HO(N)E 33. ERASED
(hidden) 34. HE(FT)S Down. 1. STRUM-
PET 2. LEE-WARD (rev.) 3. P(ROT)EST
4. SCRAT(C)H (anag. + c) 5. ME-DULL-A
6. RETOUCH (anag.) 7. STANCES (hidden
periph.) 8. SALT(a) (rev.) 12. T(INK-ERE)D
13. GNOMONIC (anag.) 19. RUP(T)URES
(anag. + t) 20. PECK-IS-H 22. W-ELDER
23. TO(R)TES 24. M(A)ULE-D 25. T(ROC)K)HE
26. ASCENT (homophone) 29. F-ACE

S	L	I	P	S	M	O	R	A	S	S
T	E	A	R	C	E	L	E	S	T	A
R	E	C	O	R	D	S	T	T	A	L
U	W	G	T	A	U	J	O	I	N	T
M	A	N	E	T	L	A	U	N	C	H
P	R	O	S	C	L	O	C	K	E	R
E	D	M	T	H	A	P	H	E	S	U
T	W	O	T	I	M	E	T	R	A	P
S	E	N	O	R	A	C	R	E	S	T
F	L	I	R	T	U	K	O	D	C	U
A	D	C	T	F	L	I	C	K	E	R
C	E	L	E	B	E	S	H	O	N	E
E	R	A	S	E	D	H	E	F	T	S

ACROSTIC NO. 26

"Jeeves doesn't have to open doors. He's like one of those birds in India who bung their astral bodies about—the chaps, I mean, who, having gone into thin air in Bombay, reassemble . . . later in Calcutta. . . . He just seems to float from Spot A to Spot B like some form of gas."

—P.G. Wodehouse, *Brinkley Manor*

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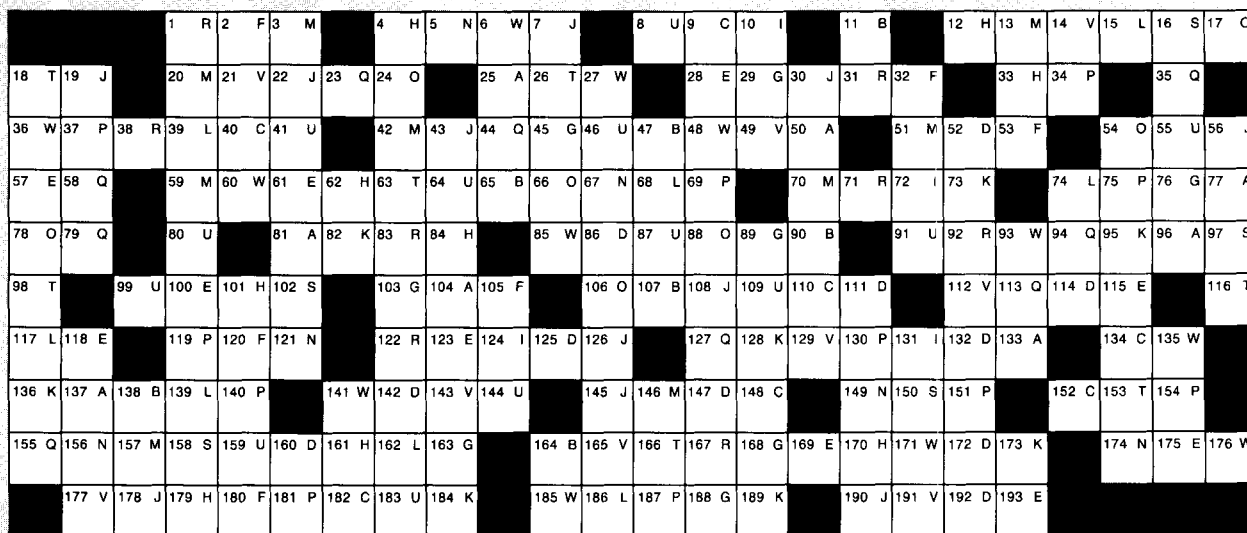


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ACROSTIC No. 27

BY DOROTHY OSBORNE

The letters of clue answers, when put in the appropriately numbered squares, will spell out a quotation. The first letters of clue answers spell the author and source of the quotation.



The solution to Acrostic No. 26 appears on page 107.

A. Omnium-gatherum

77 104 133 25 81 96 50 137

B. Descendant of Port Royal colonists

65 164 107 90 138 11 47

C. One of El Dorado's seekers

110 9 40 148 134 182 152

D. Cole Porter standard (3 wds.)

111 172 52 147 114 132 142 160 125
86 192

E. Intuition (2 wds.)

57 100 61 28 123 193 118 175 115 169

F. Missing portion

32 2 180 53 120 105

G. Weird; spooky

29 168 163 76 89 45 188 103

H. Foe of the Man of Steel (2 wds.)

12 84 170 161 62 101 4 33 179

I. Polynesian symbols of affection

72 131 124 10

J. "Stormy Weather" vocalist (2 wds.)

56 178 43 126 190 145 22 108 30
7 19

K. Where Cornwallis surrendered in 1781

73 82 95 189 184 128 136 173

L. Beaumont's dramatic collaborator

74 186 162 15 139 117 68 39

M. Be closely associated (2 wds.)

157 13 51 146 59 20 70 42 3

N. The Group of Eight's school of art

5 149 156 67 174 121

O. Lumer-directed film of 1976

66 78 54 106 17 88 24

P. Lethal benefaction (3 wds.)

130 181 69 154 75 34 119 37 187
151 141

Q. Striptease artist

58 23 79 113 155 44 35 127 94

R. Right-hander

71 92 83 31 1 167 38 122

S. Home to hobbits

97 102 158 16 150

T. Isotope of hydrogen

116 63 26 98 153 18 166

U. To the four winds (3 wds.)

109 159 46 87 144 99 183 64 91
55 8 80 41

V. Having two equal sides

191 49 165 177 129 112 21 143 14

W. Effects early prevention of (4 wds.)

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185 60 171

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PUBLICATIONS

"THE INITIATE", a quarterly of western esoteric illumination. \$11/\$3.00 single issue. Cinnabar Publications, Department A, P.O. Box 5207, Madison, WI 53705.

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BEST CHOCOLATE DESSERTS — Twelve delicious recipes. References, background, \$3.95. Westham Publishing, Department DA10, Box 2214, Kensington, MD 20895.

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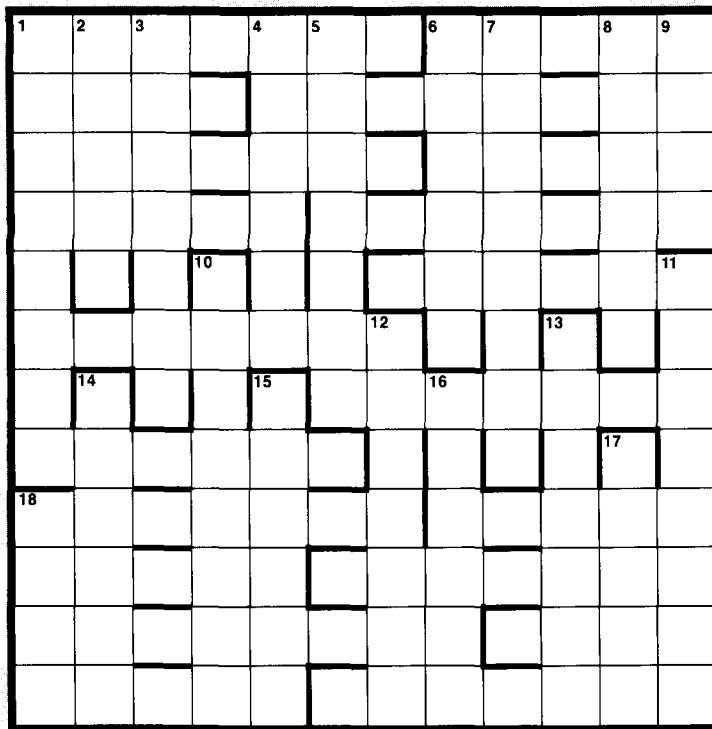
THE PUZZLER

BY EMILY COX AND HENRY RATHVON

BEST SELLERS

The listing below, which reviews a number of today's best-selling books, also comprises the 20 Across clues to this month's puzzle. The clues are strung together in haphazard order; their answers may be located in the diagram with help from the Downs, which are normal. In all, answers include three proper nouns.

*The answers to last month's
Puzzler appear on page 107.*



ACROSS

Count Your Calories—with heavy female star of "Hollywood Restaurant"

Guys Who Play Games Together—about Red Hoops, Hall-of-Fame ballplayer breaking written record

Soup Spoon Lyrics—engaging but goofy odes

Exposure to Radiation—expert wearing a new protective garment, affected by the sun's rays?

Doctor Death—gripping English mystery, with shocking smut, by novelist from Yorkshire

The Leading Edge of Rock—less frivolous pop talk by leader of Hooters has flourish in writing; difficulty in reading comes from misspelling

Daily Sex—Anne Wilder talks primarily about improper nude frolics

After U—concerning creature from space that is kidnapping military's chief and former agents of the CIA

Heart of Passion—tarts horse around; hack gothic tales

Mutant—lowest science fiction about villain with dandruff invention

Feds—in robust novel, le Carre is comparatively cogent

DOWN

1. "Large" written inside of a cop's new headwear (8)

2. Private banquet hasn't begun (5)

3. Bent over after \$1000 is picked up (7)

4. Sat on back, straddling it righter? (6)

5. No Russian accepts speed from sexy young girl (7)

6. Winter racer keeps a time designated for action (6)

7. Stampeding Etruscan horsemen? (8)

8. Bellman runs around American playwright (6)

9. Lot of thick cream in the center (4)

10. Taillessly limping up, a dumb dog (8)

11. One taking action outside pit is bully (8)

12. Cross, ex-President goes north to withdraw (7)

13. King of the blues, upon consuming our whiskey (7)

14. Herb raised two cups, then one cup (6)

15. After first of meals, you have half your teeth (6)

16. Indian tribe quickly gets hot inside (6)

17. Inventor further comprehends the core of physics (5)

18. Beer found in soup dish, oddly (4)

Note: The instructions above are for this month's puzzle only. It is assumed that you know how to decipher clues. For a complete introduction to clue-solving, send an addressed, stamped envelope to The Atlantic Puzzler, 8 Arlington Street, Boston, Mass. 02116.

WORD WATCH

BY ANNE H. SOUKHANOV

blaff *noun*, a West Indian stew consisting of fish or, occasionally, pork, seasonings such as lime and garlic, and often fruits and vegetables: "Stuffed crabs, crayfish dishes, a fish stew called *blaff*, and *acras*, or hot fish fritters, are among the specialties served in the Creole restaurants [of the Caribbean]" (*The New York Times*).

BACKGROUND: *Blaff* is of interest not only because it is beginning to appear on American menus but also because it illustrates the dangers inherent in basing etymological judgments solely on printed citational evidence. Our citation from the *Times*, and another from the *Washington Post*, suggest that the word, used chiefly in Guadeloupe (French West Indies), is "imitative"—spelled to reflect the sound made when a fish is plunged into boiling water or oil. Professor S.R.R. Allsopp, of the University of the West Indies at Cave Hill, Bridgetown, Barbados, disagrees. Allsopp, who is the coordinator of the Caribbean Lexicography Project and the compiler of the *Dictionary of Caribbean English & Usage*, writes that "*blaff* is likely formed from *braff* by way of a shift from *r* to *l*, a common linguistic occurrence. *Braff* is the form that occurs in Dominica, a neighbor of Guadeloupe. . . . In Grenada the same is called *fish-broff*." Allsopp adds: "Both *braff* and *broff* derive from English *broth* [and *show*] the influence of London cockney (i.e., the shift from *th* to *f*), of which some examples occur in Dickens."

Here are a few of the words being tracked by the editors of The American Heritage Dictionary, published by Houghton Mifflin. A new word that exhibits sustained use may eventually make its way into the dictionary. The information below represents the first stage of research, not the final product.

flanker *noun*, a new product similar to and having the same brand name as an established product, which is created to address market segmentation, to support sales of the main product, and to achieve new sales: "The company has always had companion, or *flanker*, products, going back to Ivory bar, Ivory Flakes, Ivory Snow, and Ivory Liquid dishwashing detergent. We now have an Ivory shampoo" (John Smale, the chief executive officer of Procter & Gamble, as quoted in the *Harvard Business Review*). BACKGROUND: This specialized sense of *flanker*, long used in business circles, has not yet gained widespread currency. Implicit in the term is a double meaning: a *flanker* not only flanks existing products but also may help to outflank the competition. *Time* made the connection in a 1985 article on Classic Coke: "Coke may emerge stronger than ever from this adventure. It now flanks Pepsi on two sides. . . . Says Alexander Kroll [the president of Young & Rubicam]: 'It's the most unusual strategy for launching a *flanker* brand in history, and it may work.'"

river rider *noun*, one who engages in the sport of driving an all-terrain vehicle, such as a four-wheeler, a dune buggy, or

a converted pickup truck, down a shallowly filled riverbed: "For two years the Missouri Legislature has debated grounding . . . *river riders*. But until it acts, relaxing along parts of the Black River remains . . . as appealing as pitching a tent along an L.A. freeway" (*Newsweek*).

BACKGROUND: The term *river rider* actually has three meanings, the newest of which is given here. The term can also denote one who engages in the sport of floating down a river in an unpowered craft, such as a canoe or raft, and it can mean a tick inspector who patrols the Mexican border on horseback, rounding up tick-infested stray cattle. The newest sense of the term probably derives from the Texas sport of mud-racing, in which cars, pickup trucks, and "high-riders" (compact trucks having raised suspensions) are driven through shallow flooded trenches about 200 feet long and 75 feet wide.

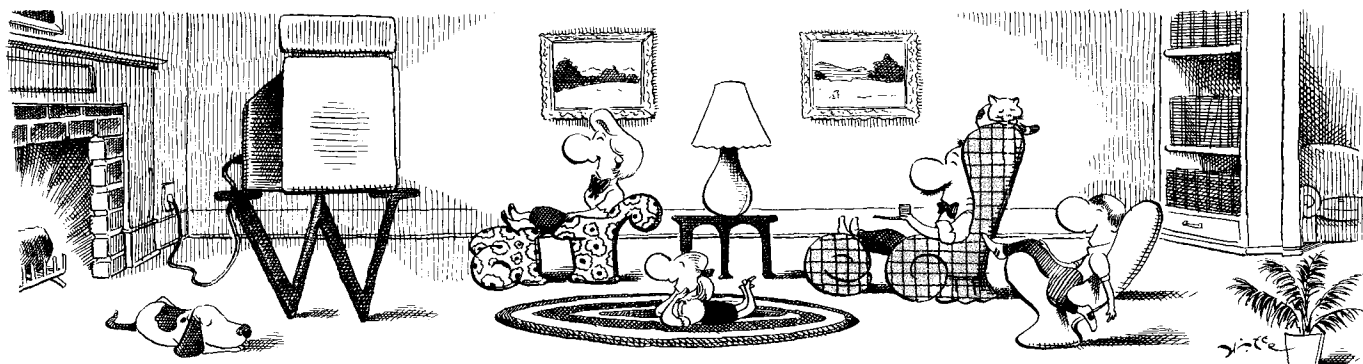
warmedy *noun*, a television comedy characterized by warmhearted, traditional family relationships among wholesome characters: "NBC demanded that the series be turned into another *Eight Is Enough*, a somewhat sappy but successful *warmedy*" (*Fortune*).

BACKGROUND: *Warmedy*, like

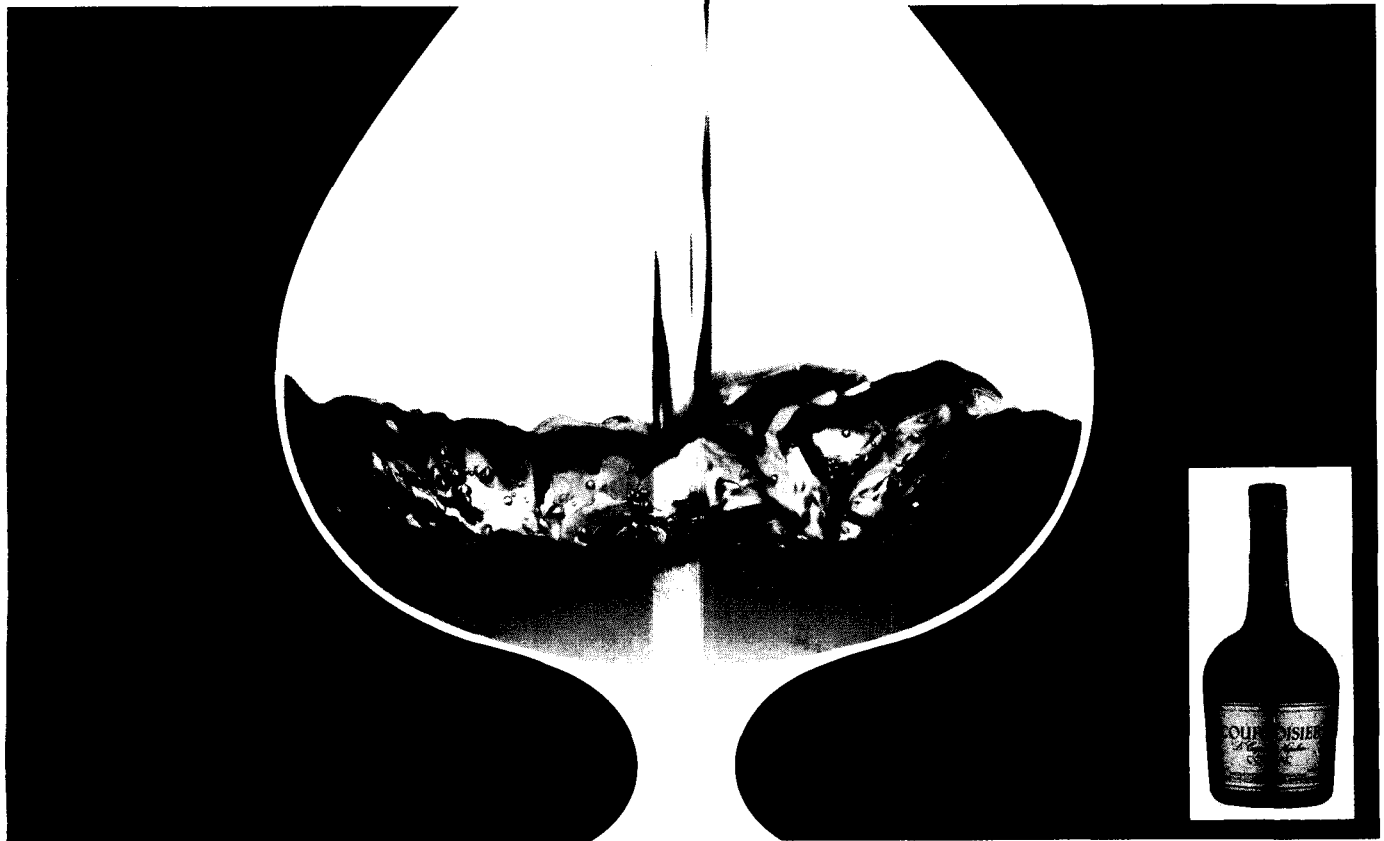
many other blends specific to the electronic media (for example, *newszak*, *simulcast*, *biopic*, and *docudrama*), shows signs of staying power in the general language. One recent citation for it comes from a November 1986, issue of *Newsweek*: "NBC, along with both its rivals, would have us believe that prime-time entertainment is in the throes of a massive revival of the kind of warm family comedies (or *warmedies*, as the industry now calls them) that cast a cozy glow over our memories of television's youth."

Zip Code wine *noun*, an inexpensive French wine having as its sole appellation of origin a French postal code, and often being a blend of several wines: "Much of the U.S. wine industry blames the Europeans for its woes—particularly the low-priced French *Zip Code wines*" (United Press International).

BACKGROUND: According to an article in *Food and Wine* in November of last year, "American merchants would often tell customers that so-and-so's *vin blanc* was really excess production of his Puligny-Montrachet or whatever. The French government wisely put a stop to this labeling practice a few years ago by ordering bottlers and shippers to delete their exact addresses from labels of non-*appellation* wine, though they were allowed their postal code." The article goes on to say that "American wags quickly named such bottlings *ZIP-code wines*, and the name has stuck."



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